



# KINATICO LIMITED

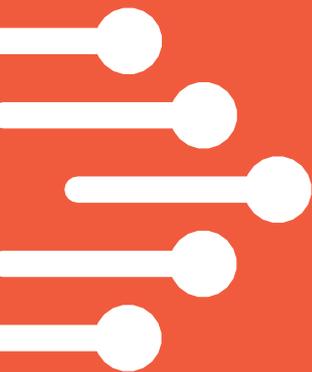
## ANNUAL REPORT

30 June 2023

# Recognition of country

Kinatico acknowledges the Traditional Owners of the land on which we work throughout Australia and New Zealand. We recognise Aboriginal and Torres Strait Islander peoples' continuing connection to land, place, waters, and community. Kinatico recognises the unique role of Māori as Tangata Whenua and embraces Te Tiriti o Waitangi recognising Māori as tino rangitiratanga of Aotearoa/New Zealand while embracing the three guiding principles of the Treaty – Partnership, Participation, and Protection.

We pay our respects to their cultures, country, and elders past, present, and emerging and will endeavor to implement bicultural policies and practices that incorporate and value cultural concepts and values.



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## Company Directory

### AUSTRALIAN COMPANY NUMBER

111728 842

Kinatico Limited is a Public Company,  
domiciled in Australia.

### DIRECTORS

NON-EXECUTIVE:

Ivan Gustavino - Chairman

George Cameron- - Director

Oliver Stewart - Director

Jon Birman - Director

### COMPANY SECRETARY

Craig Sharp

### WEBSITE

[www.kinatico.com](http://www.kinatico.com)

### REGISTERED OFFICE

Level 4,

999 Hay Street,

Perth, WA, 6000 Australia

Telephone:(+ 61) 8 9388 3000

### SECURITIES QUOTED

Australian Securities Exchange

419,652,724 - Ordinary Fully Paid Shares

(Code: KYP)

### SHARE REGISTRY

Atomic Pty Ltd

Level 5, 191 St Georges Terrace

Perth, WA, 6000 Australia

### AUDITOR

RSM Australia Partners

Level 32, Exchange Tower,

2 The Esplanade

Perth, WA, 6000 Australia

### SOLICITOR

Steinepreis Paganin

Level 4, 16 Milligan St

The Read Buildings

Perth, WA, 6000 Australia



# Chairman's letter

On behalf of the board of directors, I am pleased to present the Company's Annual Report for the 2023 financial year ('FY23'), headlined with a net profit after tax of \$236,556.

## Delivering The Strategic Vision

The business strategy adopted in recent years has seen a focus on transitioning from a narrow, purely transactional, background screening checking business to the wider delivery of Software as a Service (SaaS) that allows the Company to shift up the value chain to incorporate compliance management more broadly. This has been the intent since the Company began the process to acquire Bright People Technologies, and its Cited technology, in Q1 of FY21.

In FY23, we have seen this shift in focus deliver multiple benefits: clients consuming SaaS have been more willing to commit to guaranteed subscription rates in longer contracts; the Company has been better able to weather the fluctuations that plague national job markets; by delivering more value, Kinatico has been able to improve its gross margin of sales. These changes have been implemented without disrupting the existing screening business or alienating the valued customers who continue to rely on our technology to meet their transactional screening check needs. Most importantly, by better understanding our customers and putting our customers first, Kinatico is working to ensure its relevance to our customer base into the future.

## Key Numbers

As outlined in the Annual Report that follows, in FY23, Kinatico has delivered a net profit after tax of \$237k. The Company has produced this by growing revenue to \$27.7m.

## Positioned To Scale Globally

Kinatico began FY23 with a different name and a different brand. Rebranding to Kinatico signalled a transition from an internal, technology focus, to an external, customer focus. The Company has become a solutions-focused organisation. Innovative technology is a means to improve outcomes for the customer, it is not an end in itself. This subtle shift is an all-important step in the Company's journey to becoming a global RegTech company. Kinatico's Know Your People solutions are already a crucial part of the compliance process for employers both in Australia, and overseas, who are looking to take on new staff and grow their own business. Kinatico's expanded service offering will continue to provide simplified solutions for organisations minimizing the impact of the increasing compliance burden.

The size of the Company's global addressable market will continue to grow strongly from here. The key macro drivers that have underpinned Kinatico's success to date continue to drive a need for Know Your People services throughout the world economy. By continuing to address these drivers and providing valuable customer solution sets to the resultant pain points, Kinatico will continue to secure business customer wins in the RegTech market globally.

## Market Activity

Through much of FY23, KYP had an on-market buy-back program that ran until shortly before the publication of this report. To 30 June 2023, 14,679,646 shares were acquired by Kinatico Limited under the buyback. All shares acquired under the buyback program will be cancelled at the conclusion of the buyback.

## Thank You To Our Valued Shareholders

Finally, on behalf of the Board, I would like to thank: our CEO, Michael Ivanchenko, for his leadership, drive and engagement; our amazing employees, for embracing change and showing unwavering commitment to serving our valued customers; and our valued shareholders, who have continued to back the Company as its strategy is implemented.

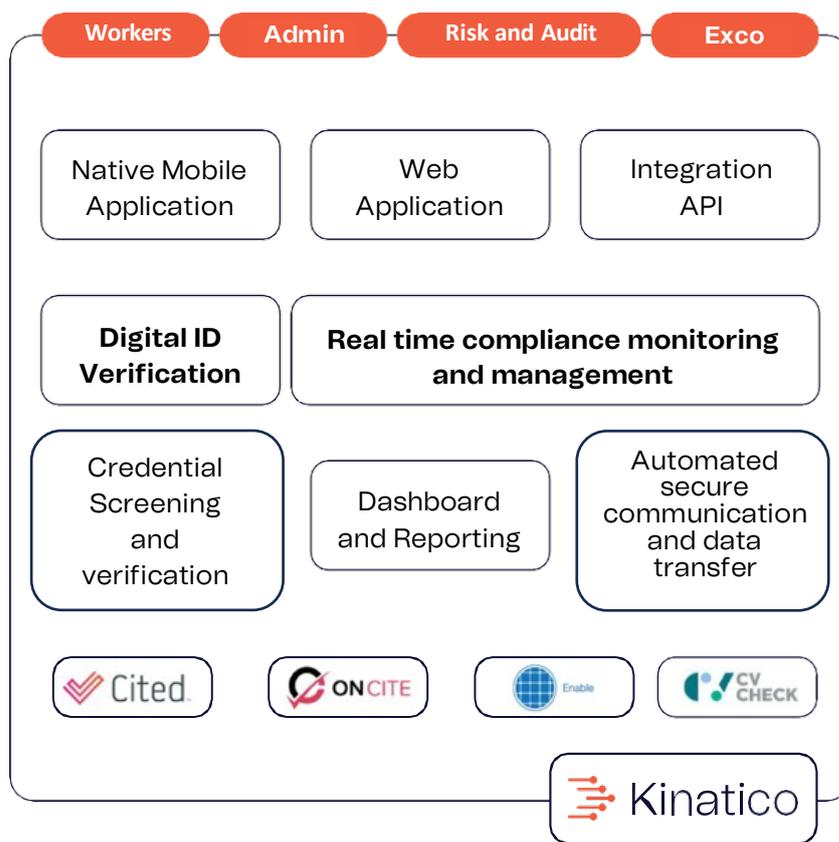
**Ivan Gustavino**

NON- EXECUTIVE CHAIRMAN

29 August 2023



# Simplifying Daily Compliance Management for Organisations



-  REGULATORY AND PROCEDURAL COMPLIANCE
-  REPORTING
-  SECURE AND ENCRYPTED
-  COMPLIANCE VIEWS
-  CUSTOMISABLE TO YOUR NEEDS
-  3RD PARTY INTEGRATION
-  FORECASTING AND ANALYTICS
-  VERIFIED DIGITAL ID
-  AUTOMATED WORKER COMMUNICATIONS AND REMINDERS

## Integration Partners:



7 And more...

# Chief Executive Officer's Report



## Our Solution

Kinatico frees up organisations to focus on running their core business with SaaS solutions that simplify compliance management from onboarding and deployment to daily procedural and legislative requirement fulfillment.



## Our Advantage

- ✓ Large existing customer base needing compliance management.
- ✓ Increasing expectations on organisations for transparent compliance management delivering new customers.
- ✓ Deployed proven technology platforms.
- ✓ Long history and experience in the space.

## A year of transformation.

This year has been truly transformative for Kinatico Ltd: a change of name; a renewed focus; a cultural shift; and the first year the Company has reported a profit since listing.

Through FY23, the Company has achieved many things:

- Achieved the first profitable year since listing;
- Change of name and related rebranding to Kinatico reflecting the expanded offering of the group;
- Strong client take-up of our monitored compliance solution;
- Launch of our OnCite native app;
- Net Cash flows from operating activities of \$3.6m an increase of 19% on pcp;
- Undertook an on-market buy-back of shares; and

## Demonstrated strategy effectiveness.

Since joining the Company, I have made it clear to investors that our intention was to leverage the huge customer base that had been established through 15 years of operation to shift from a purely transactional revenue base to a revenue base built on significant numbers of customers subscribing to our higher value Software-as-a-Service offering.

Kinatico's SaaS clients over the last 12 months



 Kinatico

In support of our delivery of this transformation we have delivered a **91%** growth of SaaS customers billed as of June 2023 compared to June 2022.



**\$0.2m**  
 Net profit after tax  
 ↑116%



**\$5.1m**  
 SaaS Revenue  
 ↑110%



**\$27.7m**  
 Total Revenue  
 ↑5%



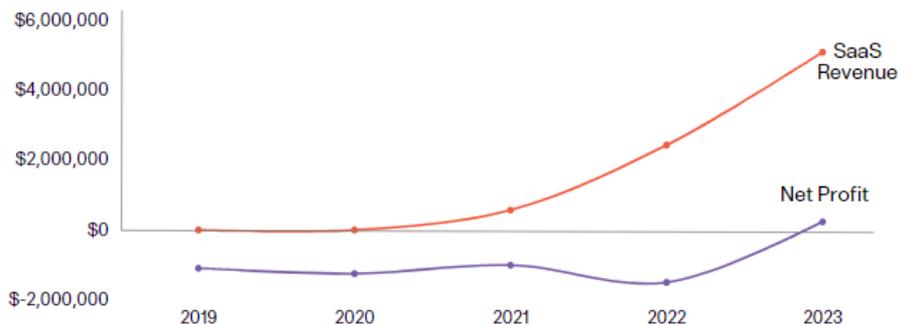
**0.06cents**  
 Earnings per share  
 ↑0.46 cents ↑116%

### FY23 Financial Highlights

The Company returned a solid financial performance, despite the ongoing uncertainty at a macroeconomic level caused by high inflation and rising interest rates. Some of the key metrics for the year include:

- ✓ **SaaS revenue** grew strongly to \$5.1 m, an increase of 110% on the prior corresponding period (pcp).
- ✓ Consolidated **revenue** of \$27.7m, growth of 5% on pcp.
- ✓ **Net Profit** \$0.2m, an increase of 116% on pcp, delivered through sound financial focus at all levels of the business.
- ✓ **Earnings Per Share (EPS)** – an increase 116% on pcp to 0.06c

Kinatico's SaaS Revenue vs Net Profit



Delivery of shareholder returns through the ongoing on-market share buyback, with the average price per share acquired equating to 8.8c during the year.

Highlights from the Statement of Cashflows include demonstration of the company's commitment to the investment in technology innovation with cash utilised in investing activities increasing by 13% on pcp to \$4.0m and Net Cash flows from operating activities of \$3.6m an increase of 19% on pcp.



**4600**  
new organisations  
signed up



**7800**  
accounts transacted  
during the year



**800,000+**  
Compliance records  
verified



**↑91%**  
SaaS customer  
increase

### Sales and Marketing

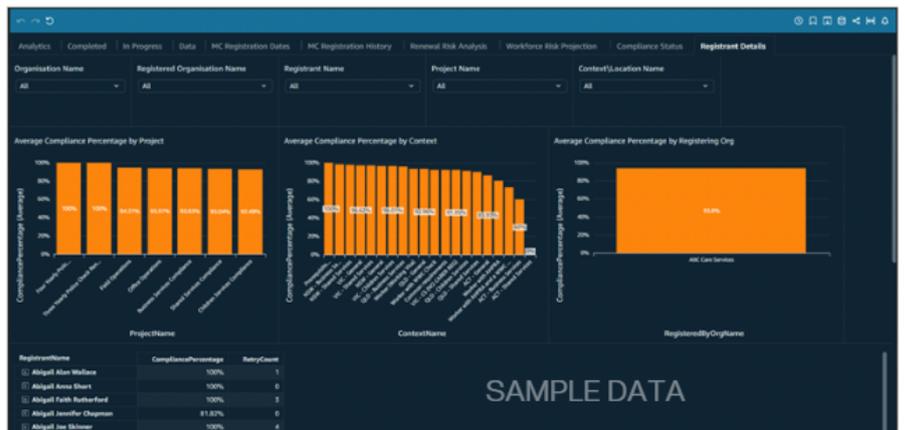
Our Sales and Marketing efforts this year have been focused on leading the transformation to a compliance business aligned to the demands of the various markets. This has been achieved by putting the customer at the heart of everything we do and working closely with each customer to understand their requirements, leveraging our many years of industry knowledge to become the educator of choice and trusted adviser about compliance, across multiple sectors and markets. The Aged/ Disability Care, Energy, Professional and Banking sectors have been initial targets in our go to market strategy.

### Industry Wide Conversion

Industry	Conversion Rate	Industry	Conversion Rate
Medical/Healthcare	70%	Information Technology	66%
Disability/Aged Care/NFP	43%	Education	57%
Mining	70%	Finance	53%
Civil Engineering/Construction	59%	Professional Services	54%
Government	47%	Energy/Utilities	52%
Employment Services	54%	Other	53%

Organisations today are immersed in having to manage thousands of compliance records and data points on their staff to be compliant. To keep this manageable and dynamic, our customer base is supported with real-time simplified analytics. In partnering with organisations that have tens of thousands of employees, Kinatico plays a part in letting organisations get on with running and building their business while the Kinatico technologies go to work.

Consequently, Kinatico is now being recognised as a valued partner to meet the customer’s compliance needs for the entire employee lifecycle, recognising that those needs will vary from customer to customer. For each customer, Kinatico supports the variety of needs that apply from the executive team all the way through the company structure to the individual front line worker.



Sample Compliance Dashboard



**\$2.6m**  
EBITDA  
↑133%



**\$2.4m**  
Trade receivables  
↓14%



**\$3.5m**  
Trade payables  
↓9%



**Intangible**  
Assets  
↑15%

## Underlying Company Improvements

Achieving profitability for the year involved ensuring each department remained focused on the collective delivery of the strategic outcomes as well as their individual day-to-day operational performances.

Driving this profitability from the front was the delivery of solid SaaS revenue growth, alignment with our sales methodology processes to deliver a simplified real time compliance management solution to address customers' needs.

Our investment in ongoing technology innovation, evidenced by the 15% increase of Intangible Assets to \$13,484,935, delivered the following key achievements, all of which contributed to the ongoing efficiencies improvements in customer interfaces and fulfilment:

- ✓ Additional API buildouts to support niche market fulfilment processes.
- ✓ Automation of key aspects of the business revenue cycle and cost to serve.
- ✓ User Interface and Experience (UI/UX) enhancements.
- ✓ Additional integration ability into new Human Resources Information and other third-party systems.

Supporting this innovation was the formation of the Kinatico Project Management Office (KPMO), the KPMO held to account all departments to maintain project management standards across the organisation.

A notable highlight was the business focus on our Search Engine Optimisation (SEO) and effective advertising spend for the year, an area in which the return on investment contributed to the overall positive financial performance.

Cash management remained a priority, highlighting the healthy 14% reduction in the accounts receivable balances, achieved through focused collections, and a 4.6% weighted average interest on our term deposits.

The improvements and focus across the organisation resulted in an improvement in the reported Earnings Before Interest Tax and Depreciation (EBITDA) of 133% to \$2.6m.



83  
Employees  
(30<sup>th</sup> June)



↑6%  
Employee  
Engagement



18%  
Women in  
Technology



91%  
"My line manager  
genuinely cares about  
my wellbeing."

## People & Culture

Building our culture deliberately throughout the year's transformation has been a key focus of our people strategy.

Creating an organisational identity that includes our people's value of benevolence has been key in our desire to truly be a purpose-led organisation and driving our performance.

Our Employee Engagement score has been lifted by 6% and maintained even through our deliberate transformative headcount reduction.

Number of Kinatico Employees



 Kinatico

## Embracing Purpose and Impact

Our purpose connects our people to our customers and community, instilling a shared mission where our people understand the "why" behind their contributions. This is achieved through regular purpose sharing from employees across the organisation and is further embedded through an internal "KinatiKudos" channel where employees regularly share positive customer feedback and impact.

## Driving Development

By nurturing a development-focused environment, our objective has been to attract and retain the right talent. Through education, experience, and exposure opportunities for every employee we have empowered our people to stretch their capabilities, learn new skills, and take on challenges that have led to improvements across the business.

An inaugural Development Week "Powering Potential" saw 15 sessions from across the business delivered with the intent to improve innovation, collaboration, or tools. This commitment to individual and collective growth has not only enhanced our talent and operational efficiency but is also building adaptability which continues to be key to Kinatico's success.



The  
privacy of data  
is our highest  
priority



Gaps are  
opportunities  
to make a  
difference



Our team's  
strength comes  
from everyone's  
individuality



Deliver the good  
and strive for  
the great

## Compliance made Simple.

### Our Mission

Our technology helps you to know your people. Simply.

While you focus on opportunities, we connect you to insights that lift your capability and mitigate your risk.

### Our Purpose

Powering insights for better safer workplaces.

### The Year Ahead

As we move into FY24, Kinatico remains uniquely placed to assist businesses through the looming perfect storm of compliance challenges. Regulators will continue to impose an increasingly complex network of legal requirements, covering everything from employee visa status to health and safety to ESG reporting. Already, workplace compliance has become a material company overhead. At the same time, shareholders, consumers, and employees are demanding that companies and government bodies demonstrate a commitment to higher standards of privacy, security, and sustainability in a world that faces more digital threats than ever before.

Against this backdrop, Kinatico's technology allows businesses to know their people; simply. Our aggregated solutions solve the problem of real time compliance monitoring and management. Using Kinatico, organisations can continuously be confident of compliance status, without reporting getting in the way of business. At the same time, our solutions provide insights for requirements and the future compliance status of the workforce, adding value back into the business.

I look forward to presenting more information to investors at our 2023 annual general meeting as we aim to continue our trajectory.

Finally, I would like to thank my executive team for their hard work and unfailing commitment throughout the year, our board and shareholders for their ongoing support, but most of all the Kinatico staff (Our "Kinaticans") without whom our results would not have been possible.

**Michael Ivanchenko**

CEO

# Directors' Report

The Directors present their financial report of the Group, being Kinatico Limited ('the Company' or 'Kinatico' or 'KYP') and its controlled entities, for the year ended 30 June 2023 and the auditor's report.

## DIRECTORS

The following persons were Directors of the Company for the entire financial year and up to the date of this report, unless otherwise stated.



### NON-EXECUTIVE CHAIR

Appointed to the Board: 13 August 2018

#### Qualifications:

Bachelor of Business

#### Experience:

Ivan has over 25 years' experience developing global technology businesses, including vast experience in leading, advising and investing in high growth technology businesses.

Ivan is one of Australia's leading corporate advisors specialising in advising technology companies on growth, mergers and acquisitions. Ivan is the Managing Director of Atrico Pty Ltd and Director of Asia Tech Pty Ltd and Gustavino Capital Pty Ltd. Ivan is a related party to Gusfam Pty Ltd ATF Gusfam Trust.

#### Interest in shares and options:

Direct: Nil.

Indirect: 1,068,127 ordinary shares.

#### Directorships held in other public entities:

Non-Executive Director of Imdex Limited.

#### Other public company directorships held during the past 3 years:

Nil



### NON-EXECUTIVE DIRECTOR

Appointed to the Board : 16 February 2017

#### Qualifications:

Master of Management (cum laude), Stanford Executive Program, Graduate of the Australian Institute of Company Directors

#### Experience:

George has extensive experience as an Executive and Non-Executive Director in both private and public companies spanning a range of industries including the pharmaceutical, biosciences and health care sectors. In addition to his experience with large corporations, he has served as Chair of a number of ASX listed companies, retirement funds and a private health insurance fund. He is a founding director of investment fund manager Fleming Funds Management Pty Ltd (previously St George Capital Pty Ltd) and investment advisory firm Fleming SG Capital Pty Ltd.

George is a director and beneficiary of Dhow Nominees Pty Ltd ATF Dhow Trust.

#### Interest in shares and options:

Direct: Nil.

Indirect: 850,000 ordinary shares.

#### Directorships held in other public entities:

Nil.

#### Other public company directorships held during the past 3 years:

Non-Executive Director and Chair of Eve Health Group Limited to 30 June 2022.

# Directors' Report CONTINUED

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**NON-EXECUTIVE DIRECTOR**

Appointed to the Board: 4 November 2020

**Qualifications:**

Bachelor of Business Management (Marketing) and a Bachelor of Arts (Psychology & Journalism).

**Experience:**

Oliver has over 15 years' experience in helping businesses drive sustainable long-term growth through Customer and Loyalty Marketing. Oliver's core competencies include strategic planning to maximise customer lifetime value across multiple product sets, marketing, and sales channels. Oliver is currently a Director at Tortoise & Hare CX Agency. He has also held senior at Foxtel, Qantas Frequent Flyer, Lavender, and M&C Saatchi.

**Interest in shares and options:**

Direct: Nil.

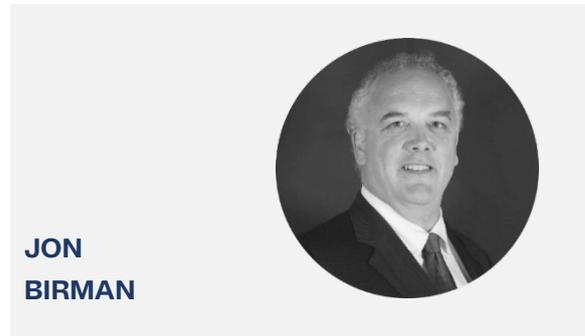
Indirect: 3,318,000 fully paid ordinary shares.

**Directorships held in other public entities:**

Nil

Other public company directorships held during the past 3 years:

Nil



**NON-EXECUTIVE DIRECTOR**

Appointed to the Board: 3 May 2021

**Qualifications:**

Bachelor of Arts (Politics & Industrial Relations)

**Experience:**

Jon has 30 years in business creation, strategy, and executive leadership.

Jon was formerly Chief Executive of UGL Resources and Group and General Manager of UGL. His previous serving roles include Deputy Project Director of in Kellogg Joint Venture, managing contracts and the LNG train for Mega Project, and Vice President for International Operations of Kaiser Engineering.

Jon's core competencies include strategy, human capital, risk management, HSSE and finance.

**Interest in shares and options:**

Direct: Nil.

Indirect: 22,397,811 fully paid ordinary shares.

**Directorships held in other public entities:**

Nil

Other public company directorships held during the past 3 years:

Nil

# Directors' Report CONTINUED

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CRAIG SHARP

**GENERAL COUNSEL &  
COMPANY SECRETARY**

Appointed Company Secretary: 3 June 2021

**Qualifications:**

Craig is an admitted solicitor with over 30 years' post-admission experience, including 11 years in the background screening industry and 9 years as legal counsel in a public company environment.

Craig's qualifications include a Master of Laws, Bachelor of Jurisprudence, and a Graduate of the Australian Institute of Company Directors

**Directorships held in other public entities:**

Nil.

# Directors' Report CONTINUED

## MEETINGS OF DIRECTORS

The number of Director's meetings (including meetings of committees of directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

	Board Meetings		Audit & Risk Committee		Remuneration Committee	
	Held/ Eligible to attend	Attended	Held/ Eligible to attend	Attended	Held/ Eligible to attend	Attended
Ivan Gustavino	6	6	-	-	4	4
George Cameron-Dow	6	6	3	3	4	4
Oliver Stewart	6	6	3	3	-	-
Jon Birman	6	6	3	3	-	-

## PRINCIPAL ACTIVITIES

The Group is a leading aggregator of regulatory technology (RegTech), providing know your people software solutions - principally engaged in the provision of SaaS-based workforce compliance management technology including screening and verification services. In FY23, the entity's primary markets were Australia and New Zealand.

Kinatico provides real-time workforce compliance management via its software-as-a-service solutions. From pre-employment screening checks, through to complex solutions combining certifications and compliance data with business policy and legislative requirements. Kinatico's suite of software solutions enables scalable compliance monitoring spanning pre-employment to real-time daily requirements related to geo-location, roles and tasks applicable across a wide range of industries.

## FINANCIAL AND OPERATING REVIEW

### FINANCIAL REVIEW

#### Statement of Profit or Loss and Other Comprehensive Income

Consolidated revenue of \$27,697,749, an increase of \$1,326,172 or 5% year on year (FY22: \$26,371,577).

Reported SaaS revenue for the year \$5,106,670, an increase of 110% year on year (FY22: \$2,436,660), highlighting the successes made in the business transformation to a RegTech provider of simplified monitored compliance.

A net profit for the year of \$236,556 (FY22: Loss of \$1,503,267), demonstrating the success of the business to focus on operational efficiencies.

Basic earnings per share is up by 0.4 cents to 0.06 cents (FY22: (0.35)).

# Directors' Report CONTINUED

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## FINANCIAL AND OPERATING REVIEW CONTINUED

### FINANCIAL REVIEW CONTINUED

Expenses associated with share-based payments amounted to \$524,137 (FY22: \$702,479), of which a total of \$171,607 of this relates to the cancellation of Directors' Performance Rights which requires immediate recognition instead of vesting over a period of time.

#### Deferred Taxes

The Group does not currently recognise any deferred tax asset that might arise from its accumulated tax losses but will continue to assess that adopted position. Refer to Note 7 for more information.

#### Statement of Financial Position & Statement of Cash Flow

The Group finished FY23 with a strong balance sheet, the ongoing focus on cash collections (trade receivables), resulted in a reduction of 14% on prior corresponding period ('pcp') to \$2,406,489 (FY22: \$2,804,884), notwithstanding the growth in revenue generated during the year.

Net assets down by 2% on pcp to \$24,863,835 (FY22: \$25,368,403), driven primarily as a result of the cash utilised in the ongoing share buyback program, instituted to increase shareholder value.

A solid cashflow report for the year is presented, with receipts from customers for the year \$30,973,338, up 7% (FY22: \$29,070,283), and overall net cash flows from operation of \$3,645,907 (FY22: \$3,060,265), up 19%.

Investment in ongoing technology innovation, highlighted by the cash utilisation in investing activities for the year of \$3,953,856 increased by 13% (FY22: \$3,496,479) and delivered the following key achievements:

- Additional API buildouts to support niche market fulfillment processes.
- Automation of key aspects of the business revenue cycle.
- User Interface and Experience (UI/UX) enhancements delivering further simplified compliance management.
- Additional integration ability into new Human Resources Information and other third-party systems

### OPERATING REVIEW

Kinatico is simplifying everyday workforce compliance for our customers to drive profitable growth for our organisation.

To that end, every member of the organisation, from our board of directors, through our leadership group, developers, support teams and front-line staff is looking to:

- Deliver simplicity every day, in everything we do;
- Deliver daily workforce compliance for each of our customers, however they define their own compliance;
- Do so whilst creating great customer experiences;
- Drive profitable growth for the business; and
- Develop our organisation and our people, through a culture of continuous improvement and constant learning.

# Directors' Report CONTINUED

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## FINANCIAL AND OPERATING REVIEW CONTINUED

### OPERATING REVIEW CONTINUED

Against that framework, Kinatico has, over the past 12 months, looked to:

- a) Continuously evolve our platforms to deliver more of our consolidated product vision;
- b) Simplify the ability to sell more services and monitored compliance to more customers; and
- c) Incrementally automate and simplify internal processes to enhance the scalability of our offering.

This has delivered change through the organisation, both internally and externally.

The internal changes, whilst significant for the Company, are necessarily difficult for an external stakeholder to assess. However, in their interactions with staff in recent months, the directors have unanimously sensed a heightened feeling of shared belief, confidence, and optimism, together with the unanimity that flows from a team working towards a shared purpose, vision and goal, with a well-understood plan.

Externally, the most obvious metric of change is the expansion from solely transactional revenue generated from background screening checks on an as-needs basis (albeit with a large portion of loyal, repeat customers) to a business with a significant portion of SaaS clients under term contracts, with the commensurate improvement in the quality of revenue.

The strategic priorities stated above continue to be relevant into FY24. Our journey along this path has only just begun.

### SALES AND MARKETING

The Kinatico Sales and Marketing team has just completed the first 12 months of the transformation required to become a Compliance business aligned to demands and needs in this evolving market. In doing so, we continue to put the customer at the centre of everything we do, from simplistic offerings through to offering full enterprise SaaS solutions.

Our marketing message is transforming to be "The Kinatico Compliance solution." Our proposition in market has evolved to lifecycle compliance for the employee, which can shift from procedural to regulatory compliance depending on the customer's needs.

Working closely with our customers and understanding their requirements, our key focus is to be the educator and trusted adviser in market. With the ongoing changes within all sectors, customers are looking for guidance on their regulatory needs. This is where Kinatico plays to its strengths as a provider of industry-agnostic solutions. Our efforts are supported with educational information through webinars, Blogs, promotions & awareness, and overall compliance support messaging due in a dynamic and shifting market.

Our recent successes in Aged & Disability care, Financial Services, and Employment Services sectors have been strong. Added to this is the drive from customers impacted by recent changes to the Critical Infrastructure Act, including those in the Energy sector, who are looking to mitigate their compliance risks by working with the team at Kinatico.

# Directors' Report CONTINUED

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## FINANCIAL AND OPERATING REVIEW CONTINUED

### SALES AND MARKETING CONTINUED

As we continue to mature in Enterprise solutions as an organisation, our indirect ecosystem grows through partnerships and integrations. Our reach in this area is increasing across sectors, giving us a significant and unique selling proposition. We have looked to best practice tools, partners and services that are seen to be world class or at least, top of the offering in market.

As Kinatico continues to transform, the development of our Professional Services practice will be a focus. With the compliance space being broad and deep, it is important to be able to support clients to gain the greatest value from our solutions. Offering services is a key component of the solution in supporting the customers' goals and objectives. Supporting the customer is paramount, so they can get on with what they need to do in running their business and allowing the Kinatico technologies to support their compliance needs and wants. Kinatico is there to support the variety of compliance requirements that can sit across an organisation's structure, from the executive team all the way through to the individual front line worker.

## ENVIRONMENTAL, SOCIAL & GOVERNANCE RESPONSIBILITIES

Kinatico prides itself on being a purpose-led organisation, where officers, employees and contractors understand the broader impact and importance of our day-to-day activities.

### Environmental

Kinatico's environmental footprint is low by design with services delivered online at scale. We focus on sustainability issues that are most relevant to our customers, community, and business through initiatives such as:

- Powering down non-essential IT environments on weekends;
- Hosting all forms of waste recycling within our offices across Australia and New Zealand; and
- Achieving 5-Star NABERS Energy rating at Australia HQ.

### Social

Kinatico drives its engagement with the wider community through:

- Practical inclusion initiatives, evidenced by our LGBTQIA+ representation at 7.07% (on par with the broader Australian community);
- Corporate gifting via Mettle - a registered charity staffed by women who have experienced homelessness due to family and domestic violence;
- Corporate support for "Dress for Success" - empowering women to achieve economic independence by providing a support network, professional attire, and development tools;
- Engagement with Djurandi Dreaming - a local Aboriginal art company;
- Community contributions to ensure local clubs and charities have suitable checks and verifications in place to safely and confidently operate their services; and
- Encouraging gender equality in our recruitment practices, resulting in 46% women in our workforce and 50% women at the leadership (team leader or above) level.

# Directors' Report CONTINUED

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## ENVIRONMENTAL, SOCIAL & GOVERNANCE RESPONSIBILITIES CONTINUED

### Governance

Actively aligned with the ASX Corporate Governance Council's Corporate Governance Principles and recommendations (4th edition), Kinatico:

- Has laid solid foundations for management and oversight;
- Has actively structured its board to be effective and add value;
- Has instilled a culture of acting lawfully, ethically and responsibly;
- Recognises and manages risk; and
- Respects the rights of all stakeholders by making timely and balanced disclosure, safeguarding the integrity of its reporting, and remunerating fairly and responsibly.

### CORPORATE

The Company undertook an on-market buyback of ordinary shares for 12 months from 22 August 2022. To 30 June 2023, Kinatico acquired 14,579,646 shares under the buyback, for a total consideration of \$1,283,410. Prices paid by the Company ranged from \$0.07 to \$0.12 per share.

The buyback continued after the balance date. All shares acquired under the buyback were cancelled at the conclusion of the buyback.

### DIVIDENDS

The Directors do not recommend the payment of a dividend. No dividends were paid or declared since the end of the previous financial year.

### EVENTS AFTER THE REPORTING DATE

There are currently no matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the affairs of the Group in the future financial years.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than as disclosed elsewhere in this Annual Report there have been no other significant changes in the state of affairs of the Group during the financial year.

### LIKELY DEVELOPMENTS

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years is provided in the Chairman's Report and this Directors' Report.

# Directors' Report CONTINUED

## MATERIAL BUSINESS RISKS

The business strategies, assets and future performance of the Group are subject to various risks, including the material risks summarised below.

The Group identifies, assesses, and manages these risks (as described in the Corporate Governance Statement) and operates under the Board approved Risk Management Review Procedure and Internal Compliance and Control Policy.

The summary below refers to material risks identified from a whole of entity perspective. The list is not exhaustive of the risks faced by the Group or investors, nor are the risks listed in order of precedence and or importance.

<p><b>Business Model</b> (Business, Customer, Regulatory &amp; Sector)</p>	<p>There is a risk of not being able to respond to market conditions, the rate of technological change, or to customers' expectations of service delivery. The concept of "Know Your People" software solutions remains relatively recent for the corporate sector. While sign-up rates have been positive, corporate sector engagement requires continuing development of customer interfaces through its technology platform and integrations with other platforms.</p> <p>There is always a risk that change in laws and regulations might affect the Group's business and its 'licence to operate' both directly and indirectly, including additional costs to comply with any changes or conditions which are applied or result in a reduction in business.</p> <p>The Group competes with several other companies and government agencies in its sector, the Group remaining competitive and being able to successfully compete is always a risk.</p> <p>There is also a risk that certain government or quasi-government agencies may benefit from any legal, regulatory or policy changes which effectively mandate a government or quasi-government monopoly.</p>
<p><b>Reputational Risks</b></p>	<p>The Group operates in an online and fast-changing environment that is regulated. Negative publicity can spread quickly, whether true or false. Disgruntled users posting negative comments about the Group in public fora may have a disproportionate effect on reputation and ability to generate revenues and profits.</p>

# Directors' Report CONTINUED

## MATERIAL BUSINESS RISKS CONTINUED

### **Economic, Financial and Capital Markets Risks**

Market, financial or economic conditions may be affected by a range of factors including general economic outlook, investor sentiment and consumer confidence, changes to legislation including tax reform, monetary factors (including interest rate risk, inflation, foreign exchange risk, credit risk and supply or demand of capital), liquidity risk or other general factors such as terrorism or pandemics.

There is always increased risk due to changes in market, business or economic conditions which may result in: the Group's business being impacted either directly or indirectly; the value of investment being affected; the Group's exposure to share market volatility increasing; and as the business is still in growth mode, access to additional funding remains a risk.

### **Data Management and Security**

There is a risk that the collection, usage and management of customer data is not consistent with the regulatory obligations or that it does not meet the expectations of customers.

With growth in volume of orders and traffic to the Group's websites, cyber infiltration or attack is a risk. Data security is critical to the Group. The Group relies on the availability of its websites, and the website of various third-party providers and integrations with other platforms to provide services to users, its corporate clients and to attract new business.

Hackers could render the websites unavailable through distributed denial of service or other disruptive attacks including accessing of confidential data. Although the Group has a range of strategies in place to minimise the threat of any of these attacks, as cyber-attacks are becoming more sophisticated and are increasing in frequency, these strategies may not be successful. This could result in the functionality of the Group's websites being compromised or confidential data being accessed.

The Group heavily relies on the automation of many of its processes, but some elements do rely on human interaction. There is always the risk of human error in the handling of such data.

# Directors' Report CONTINUED

## MATERIAL BUSINESS RISKS CONTINUED

<p><b>Reliance on Third-Party Suppliers or Contractors</b></p>	<p>Where the Group uses third party suppliers of information, there is a risk they may not continue to allow the Group to access the information.</p> <p>While all care is taken to contract with third parties that have appropriate expertise and experience, there are no guarantees that those third parties will perform as expected or required. The Group also relies on third party government bodies for data provision for some checks. Denial of information access, non or poor performance by third-party suppliers or contractors may have a material adverse effect on the Group.</p>
<p><b>Reliance on Third-Party Infrastructure</b></p>	<p>Reliance upon telecommunications systems collectively supplied by government and third-party providers is an integral feature of providing software as a service. The Group is also increasing its platform integration with other platforms. As such, the Group places reliance on the proper operation and maintenance of those facilities outside of its direct control in order to deliver its product to market. Non-performance of, or the lack of availability of, third party infrastructure may have a material adverse effect on the Group.</p>
<p><b>Management of Growth</b></p>	<p>Management of growth is critical to the business. The Group has experienced periods of variable growth, and this fluctuating growth rate has placed pressure on resourcing. Building scalability (in infrastructure, systems and processes) and people capability are vital; the Group continues to implement initiatives in a timely manner to manage growth.</p>
<p><b>Loss of key leadership and talent</b></p>	<p>The Group's ability to deliver success is reliant on attracting and retaining experienced, skilled and motivated personnel in key roles, including leadership roles, through the business. Inability to retain key talent can hamper the Group's ability to deliver on key initiatives and successfully pursue its goals.</p>

# Directors' Report CONTINUED

## MATERIAL BUSINESS RISKS CONTINUED

<b>Merger and Acquisition</b>	Business growth may come from a combination of organic growth (building the Group's own customer base) and merging with or acquiring other businesses in similar or adjacent markets. Acquisition of other businesses can result in varying rates of return on investment that may be impacted by a range of factors including due diligence practices, over-estimating or failing to capture synergies, differences in workplace cultures, integration and change management practices, and unforeseen threats or costs to the combined businesses.
<b>Project Risks</b>	A significant element of the Group's growth strategy is predicated on continuing to increase the level of automation used in the business, ongoing agile development of technology and or software. Failure to sustain or a delay in development and implementation may result in lower than expected growth, and increased risks due to exposure of human error.
<b>Technology and Intellectual Property Risks</b>	Ability to compete may be compromised if the Group's proprietary rights are not adequately protected. There are risks associated with disruption to technology platform and systems, as these could affect the Group's reputation and financial performance.

## ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulation and legislation. The Group conducts its activities in compliance with all environmental laws and regulations, and aims to minimise, where reasonable, the impact of any of the Group's activities on the environment including the climate.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company as required by the *Corporations Act 2001* and its Regulations. That legislation requires this report to detail the nature and amount of remuneration of each Director of the Company and all other Key Management Personnel ('KMP').

For the purposes of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

The Company has determined that during the reporting period, the KMP were the Directors of the Company, the Chief Executive Officer, the Chief Financial and Operating Officer and the Chief Revenue Officer.

The KMP of the Company during or since the end of the previous year were:

Person	Position	Period in position during the year
Ivan Gustavino	Non-Executive Chairman	Full Year
George Cameron-Dow	Non-Executive Director	Full Year
Oliver Stewart	Non-Executive Director	Full Year
Jon Birman	Non-Executive Director	Full Year
Michael Ivanchenko	Chief Executive Officer	Full Year
Jason Margach	Chief Financial and Operating Officer	Full Year
Geoff Hoffman	Chief Revenue Officer	From 17 November 2022

# Directors' Report CONTINUED

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## REMUNERATION REPORT (AUDITED) CONTINUED

### SECTION A: PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

#### Remuneration Policy

The remuneration policy has the aim of attracting, motivating and retaining suitably qualified Directors and executives who will create value for shareholders. The remuneration policy ensures that Non-Executive Directors and executives are appropriately remunerated having regard to their relevant experience, their performance, the performance of the Group, industry norms and standards, the financial position of the Group as a whole and the general pay environment as appropriate.

In FY22 the Board issued options to key persons in the Group, with the object of rewarding those key persons on the Company's performance during the financial year. The options did not vest and were cancelled.

In FY23, the Board approved the payment of a Short-Term Incentive (STI). Targets for the STI were set on Kinatico Ltd delivering a net profit for the year and achieving a set SaaS revenue target. After balance date, this STI was paid to key executives in the Group as well as all permanent employees of the Company who met the applicable service threshold. No STI payment was made to directors.

#### Remuneration Committee

The Remuneration Committee is a Committee of the Board. The primary purpose of the Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:

- (i) reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- (ii) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- (iii) recommending to the Board the remuneration of executive Directors (if any);
- (iv) fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- (v) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- (vi) reviewing and approving the remuneration of direct reports to the Chief Executive Officer, and as appropriate other senior executives or key persons to the Group; and
- (vii) reviewing and approving any equity-based plans and other incentive schemes, including overseeing the remuneration policy and for recommending or making such changes to the policy, as it deems appropriate.

#### Non-Executive Directors

##### Objective

The remuneration policy ensures that the Non-Executive Directors are appropriately remunerated having regard to their relevant experience, their performance, the performance of the Group, external market comparatives, and the general pay environment as appropriate.

# Directors' Report CONTINUED

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## REMUNERATION REPORT (AUDITED) CONTINUED

### Structure

Non-Executive Directors are remunerated by way of fixed cash fees plus superannuation, or fixed fees plus goods and services tax. Other than superannuation under the *Superannuation Guarantee Contribution Act*, there are no retirement benefits payable to Non-Executive Directors.

Subject to shareholder approval, an issue of equity to Directors may occur if the Board believes it is in the best interest of the Group to do so, particularly where the cash remuneration otherwise required to be paid to attract the appropriate calibre of Directors is reduced, or where there are exceptional circumstances. An issue of equity to Directors may also occur if approved by shareholders at the Annual General Meeting. At the 2021 Annual General Meeting, Company shareholders approved the grant of performance rights to directors. During FY23, those performance rights were cancelled by agreement between the Company and each director. In FY23, no further share-based payments were granted to the Directors.

The maximum aggregate amount that can be paid to Non-Executive Directors is currently \$500,000 per annum inclusive of superannuation which has been determined in accordance with the Company's Constitution (originally set at \$250,000 and which in accordance with the terms of the Constitution was varied by shareholder approval at the Annual General Meeting in 2017). The apportionment of the aggregate remuneration amongst Non-Executive Directors is reviewed periodically.

Excluding the value of the performance rights approved by shareholders and described above, for the year ended 30 June 2023, the Non-Executive Directors were remunerated an aggregate \$360,007 inclusive of statutory superannuation. Full details of the fees paid to Non-Executive Directors for the 2023 and 2022 financial years are set out in Section C of this Remuneration Report.

The Board is responsible for reviewing its own performance. Board and Board Committee performance is monitored on an informal basis throughout the year, with a formal review conducted during the subsequent financial year.

### Key Management Personnel (KMP)

#### Objective

The remuneration policy ensures that Directors and other KMP are appropriately remunerated to their relevant experience, their performance, the performance of the Group, industry norms and standards and the general pay environment as appropriate.

# Directors' Report CONTINUED

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## REMUNERATION REPORT (AUDITED) CONTINUED

### Structure

The Non-Executive Directors are responsible for evaluating the performance of the Chief Executive Officer who in turn evaluates the performance of the executive management, including CFOO and CRO as KMP. The evaluation process is intended to assess the Group's business performance, and whether long-term strategic and individual performance objectives are achieved.

The performance of the Chief Executive Officer, Executive Directors (if any) and KMP are monitored on an informal basis throughout the year. A formal evaluation is performed annually.

The pay and reward framework for Executive Directors (if any), may consist of the following:

- (i) Fixed Remuneration - Base Salary and Directors' Fees;
- (ii) Variable Short-Term Incentives; and
- (iii) Variable Long-Term Incentives.

### Variable Remuneration - Short Term Incentives

Discretionary cash bonuses may be paid to senior executives subject to Board approval following the recommendations of the Chief Executive Officer (based on a review of the performance of the KMP and senior executives and or the Group as a whole).

### Variable Remuneration - Long Term Incentives

#### Employee Incentive Option Plan

KMP and senior executives have previously been provided with longer-term incentives through the Company's Employee Incentive Option Plan ('EIOP'). An EIOP was approved by shareholders at an Extraordinary General Meeting held on 30 January 2019.

Under the EIOP, the Board at its discretion may grant Incentive Options to a Director (whether Executive or Non-Executive) of the Company, a full or part time employee of the Company, a casual employee or contractor of the Company to the extent permitted by the ASIC Class Order, or, a prospective participant, being a person to whom an offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming an Eligible Participant (as defined under the EIOP). Participation in the EIOP only occurs where such a person is declared by the Board to be eligible to receive grants of Incentive Options under the EIOP.

Offers under the EIOP are at the discretion of the Company with the objective of the EIOP being to assist in the recruitment, reward, retention and motivation of employees or contractors of the Company. Any options which are to be issued under the EIOP to Directors, must first be approved by shareholders pursuant to the requirements of the ASX Listing Rules.

# Directors' Report CONTINUED

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## REMUNERATION REPORT (AUDITED) CONTINUED

The share-based payment expense was recognised within Statement of Profit or Loss and Other Comprehensive Income totalling \$524,137 for FY23. (FY22: \$702,479). The Non-Executive Directors options have been cancelled in FY23. There were no new options offered to the KMP or employees during FY23.

### Use of remuneration consultants

During the financial year ended 30 June 2023, the group did not engage any remuneration consultants.

### Voting and comments made at the Company's 2022 Annual General Meeting (AGM)

At the 2022 AGM held on 13 October 2022, 99.1% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Section B: Contractual arrangements for Directors and KMP

Remuneration and other terms of employment for Key Management Personnel are formalised in service agreements for their Executive roles, as summarised below. Additional information on remuneration for the key management personnel can be found in Section C.

### Non-Executive Directors

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration.

### KMP

Additional information on remuneration for the key management personnel can be found in Section C.

## Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022

The remuneration for each Director and each of the other Key Management Personnel of the Group (as defined in AASB 124 Related Party Disclosure) are set out in the following tables.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### Non-Executive Directors Remuneration Outcomes Schedule

The following table sets out the actual take-home pay and share based payments that have vested for Non-Executive Directors for FY23 and FY22 followed by the statutory remuneration schedule which includes the technical accounting treatment of cancelled (i.e non vested) share-based payments for performance rights. The remuneration outcomes table differs from statutory remuneration table below, which are prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

		Cash Component of Remuneration			Non-Cash Component	Total Remuneration
		Short term benefits	Post-employment benefits		Share-based payments	
Directors	Year	Board & Committee fees	Superannuation	Total	Performance Rights Vested**	
Ivan Gustavino *	FY23	132,600	-	132,600	-	132,600
	FY22	162,700	-	162,700	-	162,700
George Cameron-Dow	FY23	75,288	7,909	83,197	-	83,197
	FY22	66,500	5,150	71,650	-	71,650
Oliver Stewart	FY23	65,250	6,855	72,105	-	72,105
	FY22	56,865	5,150	62,015	-	62,015
Jon Birman	FY23	65,250	6,855	72,105	-	72,105
	FY22	60,629	5,526	66,155	-	66,155
<b>Total</b>	<b>FY23</b>	<b>338,388</b>	<b>21,619</b>	<b>360,007</b>	-	<b>360,007</b>
	FY22	346,694	15,826	362,520	-	362,520

\* Fees included in the FY22 comparatives were paid to Ivan Gustavino include \$20,000 for the temporary role of Executive Chairman through to 29 August 2021 and \$40,000 in special exertion fees in respect of the period September to December 2021.

\*\* These performance rights have been cancelled by agreement and have not vested for current or prior year and are excluded from any take-home pay.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022 continued

### Non-Executive Directors Statutory Remuneration Schedule

The following table details the statutory remuneration disclosures prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards. This table differs from the remuneration outcomes table above, due to the accounting treatment of share-based payments.

Directors	Year	Short term benefits		Post-employment benefits	Share-based payments	Total Remuneration	Performance Related
		Board & Committee fees	Other Benefits	Superannuation	Options and Rights		
Ivan Gustavino *	FY23	132,600	-	-	208,429	341,029	61%
	FY22	162,700	-	-	85,871	248,571	35%
George Cameron-Dow	FY23	75,288	-	7,909	69,476	152,673	46%
	FY22	66,500	-	5,150	28,624	100,274	29%
Oliver Stewart	FY23	65,250	-	6,855	69,476	141,581	49%
	FY22	56,865	-	5,150	28,624	90,639	32%
Jon Birman	FY23	65,250	-	6,855	69,476	141,581	49%
	FY22	60,629	-	5,526	28,624	94,779	30%
Total	FY23	338,388	-	21,619	416,857	776,864	54%
	FY22	346,694	-	15,826	171,743	534,263	32%

\* Fees included in the FY22 comparatives were paid to Ivan Gustavino include \$20,000 for the temporary role of Executive Chairman through to 29 August 2021 and \$40,000 in special exertion fees in respect of the period September to December 2021.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022 CONTINUED

#### Executives Remuneration Outcomes Schedule

The following table sets out the actual take-home pay and share based payments that have vested for each executive during FY23 and FY22 followed by the statutory remuneration schedule which includes the technical accounting treatment of cancelled (i.e. non vested) share-based payments for options and rights. The remuneration outcomes table differs from statutory remuneration table below, which are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards.

Executives	Year	Cash Component of Remuneration					Non-Cash Component	Total Rem.	
		Salary and other benefits	Performance based bonus and commission	Short term benefits		Post-employment benefits			Share-based payments
				Annual Leave	Super.	Total			
<b>Michael Ivanchenko</b>	<b>FY23</b>	<b>323,741</b>	<b>200,000</b>	<b>16,528</b>	<b>27,500</b>	<b>567,769</b>	-	<b>567,769</b>	
<i>Chief Executive Officer</i>	FY22	248,077	-	19,083	20,673	287,833	-	287,833	
<b>Rod Sherwood *</b>	<b>FY23</b>	-	-	-	-	-	-	-	
<i>Chief Executive Officer</i>	FY22	109,705	-	-	1,731	111,436	-	111,436	
<b>Jason Margach</b>	<b>FY23</b>	<b>231,888</b>	<b>90,000</b>	<b>16,987</b>	<b>27,500</b>	<b>366,375</b>	-	<b>366,375</b>	
<i>Chief Financial &amp; Operating Officer</i>	FY22	205,000	-	13,355	20,500	238,855	-	238,855	
<b>Geoff Hoffmann **</b>	<b>FY23</b>	<b>158,654</b>	<b>42,920</b>	<b>875</b>	<b>21,165</b>	<b>223,614</b>	-	<b>223,614</b>	
<i>Chief Revenue Officer</i>	FY22	-	-	-	-	-	-	-	
<b>Total</b>	<b>FY23</b>	<b>714,283</b>	<b>332,920</b>	<b>34,390</b>	<b>76,165</b>	<b>1,157,758</b>	-	<b>1,157,758</b>	
	FY22	448,827	-	32,438	42,904	638,124	-	638,124	

\* Rod Sherwood resigned as director effective immediately in April 2021. He served his termination period as a CEO by taking leave from April 2021 to July 2021.

\*\* From 17 November 2022, Geoff Hoffmann is considered to be part of the Group's KMP.

\*\*\* No options or rights were vested during the current year or prior year and are excluded from any take-home pay.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022 CONTINUED

#### Executives Statutory Remuneration Schedule

The following table details the statutory remuneration disclosures prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. This table differs from the above remuneration outcomes schedule, due to the accounting treatment of share-based payments.

Executives	Year	Short term benefits				Post-employment benefits		Share-based payments	Total remuneration	Performance related
		Salary	Cash Bonus	Other Benefits	Annual Leave	Superannuation	Long Service Leave	Options and Rights		
<b>Michael Ivanchenko</b>	<b>FY23</b>	<b>323,741</b>	<b>200,000</b>	-	<b>16,528</b>	<b>27,500</b>	-	<b>107,280</b>	<b>675,049</b>	<b>46%</b>
<i>Chief Executive Officer</i>	FY22	248,077	-	-	19,083	20,673	-	201,216	489,049	41%
<b>Rod Sherwood *</b>	<b>FY23</b>	-	-	-	-	-	-	-	-	0%
<i>Chief Executive Officer</i>	FY22	15,750	-	93,955	-	1,731	-	70,848	182,284	39%
<b>Jason Margach</b>	<b>FY23</b>	<b>231,888</b>	<b>90,000</b>	-	<b>16,987</b>	<b>27,500</b>	-	-	<b>366,375</b>	<b>25%</b>
<i>Chief Financial and Operating Officer</i>	FY22	185,000	-	20,000	13,355	20,500	-	42,072	280,927	15%
<b>Geoff Hoffmann **</b>	<b>FY23</b>	<b>158,654</b>	-	<b>42,920</b>	<b>875</b>	<b>21,165</b>	-	-	<b>223,614</b>	<b>19%</b>
<i>Chief Revenue Officer</i>	FY22	-	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>FY23</b>	<b>714,283</b>	<b>290,000</b>	<b>42,920</b>	<b>34,390</b>	<b>76,165</b>	-	<b>107,280</b>	<b>1,265,038</b>	<b>35%</b>
	FY22	448,827	-	113,955	32,438	42,904	-	314,136	952,260	33%

\* Rod Sherwood resigned as director effective immediately in April 2021. He served his termination period as a CEO by taking leave from April 2021 to July 2021.

\*\* From 17 November 2022, Geoff Hoffmann is considered to be part of the Group's KMP.

#### Performance Based Compensation

##### Share-based payments: Entitlement to Performance Shares

During FY23, no performance shares were issued to KMP as remuneration. During FY22, Michael Ivanchenko held a contractual right in respect of Company shares that was conditional upon market performance. The value of that right for the reporting periods are reflected in the preceding table. The proportion of remuneration linked to performance are disclosed in the preceding table.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022 continued Performance Based Compensation CONTINUED

#### Share-based payments: Options

During FY23, no options were issued to KMP as remuneration. During FY22, 468,966 unlisted options exercisable at \$0.00 each on or before 17 December 2023, subject to vesting conditions and performance criteria (Employee ZEPO's) were issued to Jason Margach. These options have lapsed and have been cancelled as the performance criteria have not been achieved. The fair value of these options is noted below:

#### Share Option

Grant Date	Expiry Date	Number	Share Price at Grant Date Cents Per Share	Exercise Price Cents Per Share	Expected Volatility	Dividend Yield	Fisk Free Interest Rate	Fair Value at Grant Date Cents per Share
<b>30 June 2022</b>								
8 Dec 2021	17 Dec 2023	468,966	15.0	-	80.0%	-	0.55%	-

#### Share-based payments: Performance Rights

During FY23, no performance rights were issued to KMP as remuneration. During FY22, 6,000,000 unlisted performance rights exercisable at \$0.00 each on or before 17 December 2023, subject to vesting conditions and performance criteria were issued to Directors. These performance rights have been cancelled by agreement during FY23.

#### Performance Rights

Grant Date	Expiry Date	Number	Share Price at Grant Date Cents Per Share	Exercise Price Cents Per Share	Expected Volatility	Dividend Yield	Fisk Free Interest Rate	Fair Value at Grant Date Cents per Share
<b>30 June 2022</b>								
29 Nov 2021	29 Nov 2023	6,000,000	14.5	-	80.0%	-	0.52%	9.8

#### Share-based payments: Entitlement to Performance Shares

During FY23, no performance shares were issued to key management personal as remuneration. Under a contract entered into during FY22, the Chief Executive Officer entered into a long-term incentive plan to receive in FY25 up to 6,000,000 unlisted performance shares at \$0.00 each, subject to vesting conditions and performance criteria (ZPPS).

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022 continued Performance Based Compensation CONTINUED

### Fair Value of Entitlement to Performance Shares

Grant Date	Expiry Date	Number	Share Price at Grant Date Cents Per Share	Exercise Price Cents Per Share	Expected Volatility	Dividend Yield	Fisk Free Interest Rate	Fair Value at Grant Date Cents per Share
<b>30 June 2022</b>								
08 Aug 2021	30 Sep 2024	2,000,000	16.0	-	80.0%	-	0.17%	5.3
08 Aug 2021	30 Sep 2024	2,000,000	16.0	-	80.0%	-	0.17%	6.0
08 Aug 2021	30 Sep 2024	2,000,000	16.0	-	80.0%	-	0.17%	6.3

### Short term incentive

During FY23, the Board approved Short-Term Incentives (STI) for all staff and executives which included some Key Management Personnel (KMP). Payout of which, was subject to achievement of set targets, which included the delivery of a net profit for the full year FY23 and achievement of SaaS revenue growth targets. Both targets were achieved, and payout has been affected on 24 July 2023.

# Directors' Report CONTINUED

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## REMUNERATION REPORT (AUDITED) CONTINUED

### Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022 CONTINUED

#### Employment Contract of Chief Executive Officer

On 1 August 2021, the Company entered into an agreement with Mr Ivanchenko that set out the terms and conditions of his appointment as a Chief Executive Officer (Agreement). The Agreement was varied with effect from 1 July 2022.

Under the terms of the Agreement as varied, remuneration is \$350,000 per annum (being comprised of a base salary of \$322,500 per annum and superannuation contributions of \$27,500 per annum).

In addition, subject to attainment of the Performance Hurdles set out below, on completion of the FY24 audited financial results as approved by the board, and subject to any approval of shareholders or regulators as may be required, the Company will grant 6,000,000 Zero Price Performance Shares ("ZPPS").

#### Performance Hurdle

- Target 1** Share price of \$0.25 for three (3) consecutive months between Commencement Date and 30 June 2022. If Target 1 is achieved, then the CEO will be entitled to earn 2,000,000 ZPPS on the Reward Date. If Target 1 is not achieved, then the Bonus Pool for Target 2 or Target 3 will be increased by 1,000,000 ZPPS. Target 1 was not achieved.
- Target 2** Share price of \$0.30 for three (3) consecutive months during the financial year ended on 30 June 2023. The Bonus Pool for this Target is 2,000,000 ZPPS, plus any increase from Target 1, if that has not already been achieved. If Target 2 is not achieved, then the Bonus Pool for Target 3 will be increased by 1,000,000 ZPPS. Target 2 was not achieved.
- Target 3** Share price of \$0.45 for three (3) consecutive months during the financial year ended on 30 June 2024. The Bonus Pool for this Target is 2,000,000 ZPPS, plus any increase from Target 1 or Target 2, if either or both of those Targets have not already been achieved.

The Company may terminate the contract with Mr Ivanchenko by giving six months written notice. Mr Ivanchenko may terminate his tenure by giving three months written notice to the Company. The Company may decide to pay in lieu of notice for part or all of the period of notice. If the Company decides to pay in lieu of notice, it will calculate the payment on the basis of the Mr Ivanchenko's gross annual salary paid to the Employee at the time of the termination.

# Directors' Report CONTINUED

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## REMUNERATION REPORT (AUDITED) CONTINUED

### Section C: Details of Remuneration for the years ended 30 June 2023 and 30 June 2022 continued

#### Employment Contract of Chief Financial & Operations Officer

On 1 October 2021, the Company entered into an agreement with Mr. Margach that set out the terms and conditions of his appointment as a Chief Financial & Operating Officer.

In consideration for the appointment of Mr. Margach, the Company has agreed to pay the following:

- Remuneration of a base salary of \$231,000 per annum and superannuation contributions in accordance with the Employer Superannuation Guarantee.
- Participation in the Employee Share Plan.

His contract is an ongoing contract.

The Company may terminate the contract with Mr Margach by giving six months written notice. Mr Margach may terminate his tenure by giving three months written notice to the Company. The Company may decide to pay in lieu of notice for part or all of the period of notice. If the Company decides to pay in lieu of notice, it will calculate the payment on the basis of the Mr Margach's gross annual salary paid to the Employee at the time of the termination.

Mr Margach has a post-employment competition clause for a period of up to six months after the termination of his contract.

#### Employment Contract of Chief Revenue Officer

In March 2022, the Company entered into an agreement with Mr Hoffmann that set out the terms and conditions of his employment. The contract was varied with effect from 17 November 2022.

Under the terms of the varied contract, Mr Hoffmann was appointed Chief Revenue Officer and the Company has agreed to pay Mr Hoffmann:

- Remuneration of a base salary of \$250,000 per annum and superannuation contributions in accordance with the Employer Superannuation Guarantee scheme; and.
- Ability to earn On Target Earnings.

His contract is an ongoing contract, termination requires 3 months' notice from either party.

Mr Hoffmann has a post-employment competition clause for a period of up to six months after the termination of his contract.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### Section D: Share, Option and Rights Holdings

#### Shareholding

The movement during the reporting period in the number of Shares held, directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

	Held at 1 July 2022	Received as part of remuneration	Purchases	Disposals	Held at 30 June 2023
<b>Directors</b>					
Ivan Gustavino	1,068,127	-	-	-	1,068,127
George Cameron-Dow	806,061	-	-	-	806,061
Oliver Stewart	2,668,000	-	650,000	-	3,318,000
Jon Birman	22,197,811	-	200,000	-	22,397,811
<b>Executives</b>					
Michael Ivanchenko	-	-	-	-	-
Jason Margach	743,498	-	-	-	743,498
Geoff Hoffmann	-	-	-	-	-
<b>Total</b>	<b>27,483,497</b>	<b>-</b>	<b>850,000</b>	<b>-</b>	<b>28,333,497</b>

All shareholdings noted above are held either directly by the KMP or indirectly through their associates.

#### Option holding

There were no movements in Options held, directly, indirectly or beneficially by each KMP, including their related parties during the period.

# Directors' Report CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### Section D: Share, Option and Rights Holdings CONTINUED

#### Performance rights

The movement during the reporting period in the number of Performance Rights held, directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

	Unvested Held at 1 July 2022	Granted during the year	Vested and exercised	Cancelled	Unvested Held at 30 June 2023
<b>Directors</b>					
Ivan Gustavino	3,000,000	-	-	(3,000,000)	-
George Cameron-Dow	1,000,000	-	-	(1,000,000)	-
Oliver Stewart	1,000,000	-	-	(1,000,000)	-
Jon Birman	1,000,000	-	-	(1,000,000)	-
<b>Executives</b>					
Michael Ivanchenko	-	-	-	-	-
Jason Margach	-	-	-	-	-
Geoff Hoffmann	-	-	-	-	-
<b>Total</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>(6,000,000)</b>	<b>-</b>

#### Entitlement to performance shares

The movement during the reporting period in the number of Entitlement to Performance Shares held, directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

	Held at 1 July 2022	Received as part of	Purchases	Lapsed	Held at 30 June 2023
<b>Directors</b>					
Ivan Gustavino	-	-	-	-	-
George Cameron-Dow	-	-	-	-	-
Oliver Stewart	-	-	-	-	-
Jon Birman	-	-	-	-	-
<b>Executives</b>					
Michael Ivanchenko	6,000,000	-	-	(2,000,000)	4,000,000
Jason Margach	-	-	-	-	-
Geoff Hoffmann	-	-	-	-	-
<b>Total</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>(2,000,000)</b>	<b>4,000,000</b>

# Directors' Report CONTINUED

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## REMUNERATION REPORT (AUDITED) CONTINUED

### Section E: Other transactions with Directors, KMP and their related parties

#### Transactions with related parties

Other than intercompany transactions there were no other transactions with related parties for the year ended 30 June 2023.

In the prior year ended 30 June 2022, The Group made contractual payments amounting to \$85,000 to Wavescope Investments Pty Ltd, a related party of Jon Birman, in relation to the leased premises at 35 Oxford Close, West Leederville.

The transactions with related parties in the prior year were on normal commercial terms and at conditions no more favourable than those available to other parties, unless otherwise specified.

As of 30 June 2023, the balance of remuneration payable to Key Management Personnel amounted to \$307,881 (FY22: Nil). This is attributable to accrual for short term incentive and on target earnings (both noted above) paid to Executive KMP.

#### Loans to Directors and their related parties

No loans have been made to any Director or any of their related parties during the year (FY22: Nil).

There were no further transactions with Directors including their related parties not disclosed above or in Note 24.

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

## **END OF AUDITED REMUNERATION REPORT**

# Directors' Report CONTINUED

## ADDITIONAL INFORMATION

The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Revenue	27,697,749	26,371,577	17,477,084	12,367,466	12,363,970
EBITDA	2,584,064	1,107,981	242,138	(361,619)	(539,557)
Profit/(Loss) before income tax	111,401	(1,316,335)	(1,070,857)	(1,443,988)	(1,319,744)
Profit/(Loss) after income tax	236,556	(1,503,267)	(1,008,141)	(1,253,036)	(1,094,550)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022	2021	2020	2019
Share price at the end of year (cents)	10.0	9.5	14.0	6.7	20.0
Dividends per share (cents)	-	-	-	-	-
Basic earnings/(loss) per share (cents)	0.1	(0.4)	(0.3)	(0.4)	(0.4)
Diluted earnings/(loss) per share (cents)	0.1	(0.4)	(0.3)	(0.4)	(0.4)

# Directors' Report CONTINUED

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## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OTHER OFFICERS

Under the Company's Constitution and to the extent permitted by law (subject to the restrictions in section 199A and 199B of the *Corporations Act 2001*), the Company indemnifies every person who is or has been an officer of the Company against:

- (i) any liability (other than for legal costs) incurred by that person as an officer of the Company where the Company requested the officer to accept appointment as Director.
- (ii) reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

The Company has insured its Directors, the Company Secretary and executive officers. Under the Company's Directors' and Officers' Liability Insurance Policy (D&O Policy), the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

The Company also has in place a Deed of Indemnity, Access and Insurance with each of the Directors. This Deed:

- (i) indemnifies the Director to the extent permitted by law and the Constitution against certain liabilities and legal costs incurred by the Director as an officer of any Group Company;
- (ii) requires the Company to maintain, and pay the premium for, a D&O Policy in respect of the Director; and
- (iii) provides the Director with access to particular papers and documents requested by the Director for a Permitted Purpose (as defined in the deed);

both during the time that the Director holds office and for a seven-year period after the Director ceases to be an officer of any Group Company, on the terms and conditions contained in the Deed.

### Auditors

RSM Australia Partners ('RSM') continues in office in accordance with Section 327 of the *Corporations Act 2001*.

### Indemnification and Insurance of Auditors

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

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

# Directors' Report CONTINUED

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## ADDITIONAL INFORMATION CONTINUED

### Share Options on issue

As at the date of this report the unissued ordinary shares of the Company under option were:

Class	Date of Expiry	Exercise Price (Cents)	No. Under Option
Unlisted	18 February 2024	37.1	4,500,000

Subject to the Company meeting various performance criteria, up to a maximum of 4,000,000 Performance Shares may become available to Michael Ivanchenko as part of his appointment as Chief Executive Officer, as announced on 4 August 2021. The issue of any Performance Shares may also be subject to any shareholder approval or regulators if required.

### Shares Issued as a Result of the Exercise of Options

No shares were issued as a result of exercise of options over ordinary shares during the year. (FY22: 5,716,420).

# Directors' Report CONTINUED

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## ADDITIONAL INFORMATION CONTINUED

### PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

From time to time in the ordinary course of business, the Group may be involved in litigation or regulatory actions arising from a wide range of matters. The Group may also be involved in investigations, inquiries or disputes, debt recoveries, commercial and contractual disputes or occupational health and safety claims. The Group has an experienced legal team that monitors and manages potential and actual claims, actions and disputes; and where cost-effective, has insurance policies covering potential losses.

The Group discloses any material matters that it considers require a contingency provision.

### Constitution

The Company adopted its current Constitution as per shareholder approval obtained at the 2019 AGM.

### Non-Audit Services

RSM may be employed on assignments additional to their audit services.

Details of the amounts paid or payable to RSM for audit and non-audit services provided during the financial year are outlined in Note 25 to the financial statements.

The directors are satisfied that where such services are provided, the provision of non-audit services during the financial year, by the auditor, is compatible with, and did not compromise the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved by the Board and the CEO to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the Company or jointly sharing economic risks and rewards.

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within the financial statements and forms part of this Directors' Report.

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and adhere to good corporate governance practices. The Company's Corporate Governance Statement is contained in the 'Corporate Governance' section of the Company's website at [www.kinatico.com/investors](http://www.kinatico.com/investors).

# Directors' Report CONTINUED

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## ADDITIONAL INFORMATION CONTINUED

Officers of the Company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

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 immediately after this Directors' report.

Declaration

This Directors' Report is made in accordance with a resolution of directors made pursuant to Section 298(2)(a) of the *Corporations Act 2001*.

Signed on behalf of the Board of Directors



Ivan Gustavino

NON-EXECUTIVE  
CHAIRMAN



## **Auditor's Independence Declaration**



**RSM Australia Partners**

Level 32, Exchange Tower  
2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +618 92619100  
F +618 92619111  
[www.rsm.com.au](http://www.rsm.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Kinatico Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

AIK KONG TING  
Partner

Perth, WA  
Dated: 29 August 2023

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

# Consolidated Statement of Profit or Loss & Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b>Revenue</b>	5	<b>27,697,749</b>	26,371,577
Other income		3,391	6,606
Interest Income		239,239	54,533
<b>Expenses</b>			
Cost of sales		(9,496,867)	(9,606,102)
Director and employee benefits		(10,370,256)	(10,076,867)
Depreciation and amortisation	15,16	(2,629,160)	(2,399,302)
Advertising and marketing		(1,949,396)	(2,088,810)
Information and technology		(1,355,447)	(1,400,568)
Consultants and contractors		(587,115)	(397,574)
Share based payments	20	(524,137)	(702,479)
Insurance		(326,858)	(344,545)
Occupancy		(147,865)	(372,397)
Other expenses	6	(441,877)	(360,407)
<b>Profit / (Loss) before income tax for the year</b>		<b>111,401</b>	(1,316,335)
Income tax benefit / (expense)	7	125,155	(186,932)
<b>Profit / (Loss) after income tax for the year</b>		<b>236,556</b>	(1,503,267)
<b>Other comprehensive profit / (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		18,149	(55,681)
<b>Other comprehensive profit / (loss) for the year (net of tax)</b>		<b>18,149</b>	(55,681)
<b>Total comprehensive profit / (loss) for the year attributable to equity holders of the Parent Entity</b>		<b>254,705</b>	(1,558,948)

## Earnings / (Loss) per share attributable to equity holders of the Parent Entity:

Basic earnings / (loss) per Share (cents per share)	8	0.06	(0.35)
Diluted earnings / (loss) per Share (cents per share)	8	0.06	(0.35)

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	9,629,066	11,877,737
Trade and other receivables	11	2,406,489	2,804,884
Other assets	10	327,024	213,923
<b>Total Current Assets</b>		<b>12,362,579</b>	<b>14,896,544</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	15	1,580,943	1,970,957
Goodwill	16	4,669,730	4,669,730
Intangible assets	16	13,484,935	11,767,145
Deferred tax asset	7	22,229	30,722
Other assets	10	320,100	320,100
<b>Total Non Current Assets</b>		<b>20,077,937</b>	<b>18,758,654</b>
<b>TOTAL ASSETS</b>		<b>32,440,516</b>	<b>33,655,198</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,510,171	3,924,460
Provision for Employee Benefits	13	1,277,775	1,359,272
Contract liabilities	14	1,205,800	1,062,423
Lease liability	17	384,716	250,525
Income tax liability	7	82,248	191,239
<b>Total Current Liabilities</b>		<b>6,460,710</b>	<b>6,787,919</b>
<b>NON CURRENT LIABILITIES</b>			
Lease liability	17	1,115,971	1,498,876
<b>Total Non Current Liabilities</b>		<b>1,115,971</b>	<b>1,498,876</b>
<b>TOTAL LIABILITIES</b>		<b>7,576,681</b>	<b>8,286,795</b>
<b>NET ASSETS</b>		<b>24,863,835</b>	<b>25,368,403</b>
<b>EQUITY</b>			
Issued capital	18	46,657,996	47,941,406
Reserves	18	1,296,559	754,273
Accumulated losses	19	(23,090,720)	(23,327,276)
<b>TOTAL EQUITY</b>		<b>24,863,835</b>	<b>25,368,403</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b><i>Cash flows from operating activities</i></b>			
Receipts from customers		30,973,338	29,070,283
Payments to suppliers and employees		(27,362,243)	(25,545,298)
Finance costs paid		(91,882)	(35,548)
Interest received		188,855	54,533
Income tax paid		(62,161)	(187,950)
Receipt of income tax refund and government grants		-	54,213
Acquisition related costs expensed		-	(349,968)
<b>Net cash flows from operating activities</b>	<b>9</b>	<b>3,645,907</b>	<b>3,060,265</b>
<b><i>Cash flows from investing activities</i></b>			
Payment for purchases of plant and equipment		(93,321)	(218,326)
Payment for intangible assets		(3,860,535)	(2,582,665)
Payment for acquisition of subsidiary		-	(662,390)
Bank guarantee		-	(320,100)
Receipt of bond deposit		-	287,002
<b>Net cash used in investing activities</b>		<b>(3,953,856)</b>	<b>(3,496,479)</b>
<b><i>Cash flows from financing activities</i></b>			
Issue of ordinary shares		-	51,000
Share buyback		(1,283,410)	(35,741)
Repayment for lease liabilities		(251,494)	(265,108)
Repayment of business insurance premiums		(429,057)	(302,058)
<b>Net cash used in from financing activities</b>		<b>(1,963,961)</b>	<b>(551,907)</b>
<b><i>Net decrease in cash and cash equivalents</i></b>			
Cash and cash equivalents at the beginning of the period		11,877,737	12,905,805
Effects of exchange rate changes on the balance of cash held in foreign currencies		23,239	(39,947)
<b>Cash and cash equivalents at the end of the period</b>		<b>9,629,066</b>	<b>11,877,737</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Issued Capital \$	Share Based Payment \$	Foreign Currency Translation \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2021</b>		<b>47,193,068</b>	<b>1,083,585</b>	<b>(910)</b>	<b>(22,066,130)</b>	<b>26,209,613</b>
Loss for the year		-	-	-	(1,503,267)	(1,503,267)
Exchange differences on translation of foreign operations		-	-	(55,681)	-	(55,681)
Total comprehensive loss for the period		-	-	(55,681)	(1,503,267)	(1,558,948)
<b>Transactions with owners in their capacity as owners:</b>						
Share buyback	18	(35,741)	-	-	-	(35,741)
Shares issued net of issue	18	784,079	(733,079)	-	-	51,000
Share based payments	20	-	702,479	-	-	702,479
Options lapsed	20	-	(242,121)	-	242,121	-
<b>Balance at 30 June 2022</b>		<b>47,941,406</b>	<b>810,864</b>	<b>(56,591)</b>	<b>(23,327,276)</b>	<b>25,368,403</b>
Profit for the year		-	-	-	236,556	236,556
Exchange differences on translation of foreign operations		-	-	18,149	-	18,149
Total comprehensive profit for the period		-	-	18,149	236,556	254,705
<b>Transactions with owners in their capacity as owners:</b>						
Share buyback	18	(1,283,410)	-	-	-	(1,283,410)
Share based payments	20	-	524,137	-	-	524,137
<b>Balance at 30 June 2023</b>		<b>46,657,996</b>	<b>1,335,001</b>	<b>(38,442)</b>	<b>(23,090,720)</b>	<b>24,863,835</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## NOTE 1. CORPORATE INFORMATION

The consolidated financial statements of Kinatico Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 29 August 2023. Kinatico Limited (the Company or the parent) is a limited company incorporated and domiciled in Western Australia whose shares are publicly traded. The registered office is Level 4, 999 Hay Street, Perth, Western Australia.

The Group is principally engaged in the provision of SaaS-based workforce compliance management technology including screening and verification services.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These general purpose financial statements of the Group have been prepared in accordance Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. Where necessary, comparative figures have been re-stated to conform with changes in presentation for the current year.

#### a. Historical cost

The financial statements have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value.

#### b. Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's presentation currency and the functional currency of the Company and its subsidiaries, except for the New Zealand operations in which the functional currency is in New Zealand dollars.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.1 BASIS OF PREPARATION CONTINUED

#### c. Critical accounting estimates

The preparation of financial statements requires management to use estimates, judgements and assumptions. Application of different assumptions and estimates may have a significant impact on the Group's net assets and financial results. Estimates and assumptions are reviewed on an ongoing basis and are based on the latest available information at each reporting date. Actual results may differ from the estimates.

#### d. Rounding of amounts

All amounts in the financial statements have been rounded to the nearest dollars, except as indicated in accordance with the ASIC Corporations instrument 2016/191.

#### e. Principles of consolidation

The consolidated financial statements comprise the financial statement of the Group. A list of significant controlled entities (subsidiaries) at year end is contained in Note 22. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee) Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.2 BASIS OF CONSOLIDATION CONTINUED

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### a. Goodwill CONTINUED

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### b. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### c. Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- or
- In the absence of a principal market, in the most advantageous market for the asset or liability

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### c. Fair value assessment CONTINUED

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations. The Valuation Committee is comprised of the head of the investment properties segment, heads of the Group's internal mergers and acquisitions team, the head of the risk management department, chief finance officers and the managers of each property.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the Valuation Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Valuation Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to us for each case.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### c. Fair value measurement CONTINUED

At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### d. Revenue from contracts with customers

The Group is in the business of providing screening and verification and SaaS-based workforce management and compliance technology systems. Revenue from contracts with customers is recognised when services are provided at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

#### **SaaS-based workforce management and compliance technology systems**

Subscription services are treated as a single performance obligation, access to digital platforms and data under the subscription is a series of services substantially integrated with the same pattern of transfer. Accordingly, subscription revenue is recognised evenly over the subscription period.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### d. Revenue from contracts with customers CONTINUED

##### **Screening and verification**

Revenue from pre-employment screening and workforce compliance monitoring is recognised at the point in time when the service is provided to the customer. The normal credit term is 30 to 60 days upon completion of the service. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the provision of pre-employment screening and workforce compliance monitoring, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

##### (i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for the provision of services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group also provides retrospective volume rebates to certain customers once the quantity of services purchased during the period exceeds the threshold specified in the contract. The volume rebates give rise to variable consideration.

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### d. Revenue from contracts with customers CONTINUED

##### (ii) Significant financing component

The Group receives advance payments from customers for the provision of pre-employment screening and workforce compliance monitoring. As such, the transaction price for these contracts is discounted, using the interest rate implicit in the contract. This rate is commensurate with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the provision service and the payment is one year or less.

##### (iii) Contract balances

###### **Trade receivables**

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

###### **Contract liabilities**

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group completes the services. Contract liabilities are recognised as revenue when the Group performs under the contract.

###### **Cost to obtain a contract**

The Group pays sales commission to its employees for certain contracts that they obtain. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense and included as part of employee benefits.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### e. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### f. Taxes

##### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### f. Taxes CONTINUED

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### f. Taxes CONTINUED

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

#### g. Foreign currencies

The Group's consolidated financial statements are presented in Australian Dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### (i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### g. Foreign currencies CONTINUED

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

#### (ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

#### h. Cash dividend

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### i. Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Computer equipment 3 to 4 years
- Plant & equipment 5 to 20 years
- Leasehold improvements 5 years
- Furniture & fittings 5 to 20 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

#### j. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### (i) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### j. Leases CONTINUED

##### (ii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment.

##### (iii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### j. Leases CONTINUED

##### (iv) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### k. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

# Notes to the Financial Statements CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### k. Intangible assets CONTINUED

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

#### (i) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

#### (ii) Goodwill

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

A summary of the policies applied to the Group's intangible assets is, as follows:

	<b>Goodwill</b>	<b>Intellectual Property</b>	<b>Customer contracts and relationships</b>	<b>Product Development</b>
<b>Useful lives</b>	Indefinite	Finite (9 years)	Finite (9 years)	Finite (2.5-9 years)
<b>Amortisation method used</b>	No amortisation	Amortised on a straight-line basis over the period of expected benefit	Amortised on a straight-line basis over the period of expected benefit	Amortised on a straight-line basis over the period of expected benefit
<b>Internally generated or acquired</b>	Acquired	Acquired	Acquired	Internally generated

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### I. Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (i) Financial assets

###### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (d) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### I. Financial instruments - initial recognition and subsequent measurement CONTINUED

##### (i) Financial assets CONTINUED

###### **Subsequent measurement**

- For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

###### **Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost (debt instruments). Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

###### **Financial assets at fair value through OCI (debt instruments)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

###### **Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### I. Financial instruments - initial recognition and subsequent measurement CONTINUED

##### (i) Financial Assets CONTINUED

###### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

###### **Derecognition**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

- The rights to receive cash flows from the asset have expired  
or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

###### **Impairment**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### I. Financial instruments - initial recognition and subsequent measurement CONTINUED

##### (i) Financial Assets CONTINUED

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### (ii) Financial liabilities

###### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### I. Financial instruments - initial recognition and subsequent measurement CONTINUED

##### (ii) Financial Liabilities CONTINUED

###### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

###### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

###### **Financial liabilities at amortised cost (loans and borrowings)**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

###### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### I. Financial instruments - initial recognition and subsequent measurement CONTINUED

##### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

##### m. Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### m. Impairment of non-financial assets CONTINUED

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### n. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### o. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### p. Employee benefits

##### (i) Short term 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 recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### (ii) Other long-term benefits

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. A liability is 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (iii) Defined contribution superannuation expense

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

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### q. Share-based payments (Equity-settled transactions)

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 20.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### q. Share-based payments (Equity-settled transactions) CONTINUED

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### r. Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

#### s. 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.

#### t. Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Kinatico Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### u. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

# Notes to the Financial Statements CONTINUED

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## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### v. 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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### w. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### x. New or amended Accounting Standards and Interpretations adopted/not yet mandatory or early adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory, have not been early adopted for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

# Notes to the Financial Statements CONTINUED

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## NOTE 3. SIGNIFICANT 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 judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### a. Goodwill

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

### b. Estimation of useful life of assets

The Group determines the estimated useful life and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### c. Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

# Notes to the Financial Statements CONTINUED

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## NOTE 4. SEGMENT INFORMATION

### a. Primary Reporting Format - Business Segments

The Group is organised into two operating segments based on geographical locations consisting of Australia and New Zealand.

### b. Identification of reportable operating segments

The operating segments are identified 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.

Performance is measured based on segment operating profit. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information is reported to the CODM on a monthly basis.

### c. Types of products and services

Both the Australian and New Zealand segments' principal products are the provision of screening and verification services and the provision of SaaS-based workforce management and compliance technology systems.

### d. Intersegment Transactions

Intersegment transactions were made at market rates. The Australian operating segment purchases certain verification and screening products and recharges them to the New Zealand business at market price. Intersegment transactions are eliminated on consolidation.

### e. Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

### f. Major customers

The Group has no material reliance on a specific customer.

# Notes to the Financial Statements CONTINUED

## NOTE 4. SEGMENT INFORMATION CONTINUED

	Australia \$	New Zealand \$	Elimination \$	Total \$
<i>For the year ended 30 June 2023</i>				
<b>Revenue</b>	24,745,914	2,951,835	-	27,697,749
<b>EBITDA</b>	1,105,706	1,478,358	-	2,584,064
Depreciation and amortisation	(2,563,113)	(66,047)	-	(2,629,160)
Interest income	452,003	3,254	(216,018)	239,239
Interest expense	(84,701)	(224,130)	217,942	(90,889)
Other non-operating income / (expense)	1,691,818	(1,681,747)	(1,924)	8,147
<b>Profit / (loss) before income tax</b>	601,713	(490,312)	-	111,401
Income tax benefit	-	125,155	-	125,155
<b>Profit / (loss) after income tax</b>	<b>601,713</b>	<b>(365,157)</b>	<b>-</b>	<b>236,556</b>

### *30 June 2023*

#### **Assets**

Segment assets	56,943,618	2,533,644	(27,036,746)	32,440,516
<b>Total assets</b>	<b>56,943,618</b>	<b>2,533,644</b>	<b>(27,036,746)</b>	<b>32,440,516</b>

### *30 June 2023*

#### **Liabilities**

Segment liabilities	31,914,193	1,986,304	(26,323,816)	7,576,681
<b>Total Liabilities</b>	<b>31,914,193</b>	<b>1,986,304</b>	<b>(26,323,816)</b>	<b>7,576,681</b>

	Australia \$	New Zealand \$	Elimination \$	Total \$
<i>For the year ended 30 June 2022</i>				
<b>Revenue</b>	23,306,855	3,064,722	-	26,371,577
<b>EBITDA</b>	64,877	1,043,104	-	1,107,981
Depreciation and amortisation	(2,346,657)	(52,645)	-	(2,399,302)
Interest income	54,464	69	-	54,533
Interest expense	(31,770)	(3,778)	-	(35,548)
Other non-operating (expense) / Income	(44,055)	56	-	(43,999)
<b>(Loss) / profit before income tax</b>	(2,303,141)	986,806	-	(1,316,335)
Income tax benefit / (expense)	54,213	(241,145)	-	(186,932)
<b>(Loss) / profit after income tax</b>	<b>(2,248,928)</b>	<b>745,661</b>	<b>-</b>	<b>(1,503,267)</b>

### *30 June 2022*

#### **Assets**

Segment assets	67,602,522	1,600,506	(35,547,830)	33,655,198
<b>Total assets</b>	<b>67,602,522</b>	<b>1,600,506</b>	<b>(35,547,830)</b>	<b>33,655,198</b>

### *30 June 2022*

#### **Liabilities**

Segment liabilities	42,548,019	573,677	(34,834,901)	8,286,795
<b>Total Liabilities</b>	<b>42,548,019</b>	<b>573,677</b>	<b>(34,834,901)</b>	<b>8,286,795</b>

# Notes to the Financial Statements CONTINUED

## NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	30 June 2023 \$	30 June 2022 \$
<b>Type of service</b>		
<b>Transactional</b>		
Criminal history checks	14,694,142	15,415,040
Other checks	7,896,935	8,519,877
	22,591,077	23,934,917
<b>Software as a Service ('SaaS')</b>	5,106,672	2,436,660
<b>Total revenue from contracts with customers</b>	<b>27,697,749</b>	<b>26,371,577</b>
<b>Geographical markets</b>		
Australia	24,745,914	23,306,855
New Zealand	2,951,835	3,064,722
<b>Total revenue from contracts with customers</b>	<b>27,697,749</b>	<b>26,371,577</b>
<b>Timing of revenue recognition</b>		
Services rendered at a point in time	23,670,956	23,934,917
Services rendered over time	4,026,793	2,436,660
<b>Total revenue from contracts with customers</b>	<b>27,697,749</b>	<b>26,371,577</b>

## NOTE 6. OTHER EXPENSES

	30 June 2023 \$	30 June 2022 \$
Listing and compliance	127,625	81,592
Travel and accommodation	98,105	39,698
Finance costs	90,889	35,548
Communication	32,841	54,622
Acquisition related costs	-	37,216
Others	92,417	111,731
<b>Total other expenses</b>	<b>441,877</b>	<b>360,407</b>

# Notes to the Financial Statements CONTINUED

## NOTE 7. INCOME TAX

	30 June 2023 \$	30 June 2022 \$
<b>Components of income tax (benefit) / expense comprise of:</b>		
<b>Current income tax:</b>		
Current income tax expense	105,667	217,654
Adjustments recognised for previous year	(239,316)	-
	(133,649)	217,654
<b>Deferred income tax:</b>		
Relating to origination and reversal of temporary differences	147,330	(115,142)
Carry forward tax losses	(56,224)	(312,032)
Deferred tax not brought to account	(82,612)	396,452
	8,494	(30,722)
<b>Income tax (benefit) / expense</b>	<b>(125,155)</b>	<b>186,932</b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit / (Loss) before income tax	111,401	(1,316,335)
Tax at the Australian rate of 25%	27,850	(329,084)
Effect of tax rates in foreign jurisdictions	23,024	(5,620)
Adjustments recognised for previous year	(239,316)	-
<i>Tax effect of:</i>		
Non-deductible share-based payments	131,035	175,620
Other expenditure not deductible	14,864	3,777
Research and development tax refund	-	(54,213)
Deferred tax not brought to account	(82,612)	396,452
<b>Income tax (benefit) / expense</b>	<b>(125,155)</b>	<b>186,932</b>
<b>Deferred tax asset comprises temporary differences</b>		
<b>Amounts recognised in profit or loss:</b>		
Property, plant and equipment	26,740	11,930
Provision for employee benefits	(3,693)	1,556
Contract liabilities	22,474	24,845
Lease liabilities	(23,292)	(7,609)
<b>Net deferred tax asset</b>	<b>22,229</b>	<b>30,722</b>
<b>Movements of net deferred tax asset:</b>		
Opening balance	30,722	-
(Charged) / credited to profit or loss	(8,493)	30,722
<b>Closing balance</b>	<b>22,229</b>	<b>30,722</b>

# Notes to the Financial Statements CONTINUED

## NOTE 7. INCOME TAX CONTINUED

### Unrecognised deferred tax balances

The Group recognized deferred tax balance of \$22,229 (2022: \$30,722) in relation to its subsidiary in New Zealand. However, the Group does not currently recognise any deferred tax asset arising from its accumulated losses. The Directors estimate that the potential deferred tax assets at 25% not brought to account attributable to tax losses carried forward at reporting date is approximately \$4,288,653 (FY22: \$4,232,430).

The losses have not been brought to account because the Directors do not believe it is appropriate to regard realisation of those deferred tax assets as being probable in the near future. The benefit of these deferred tax assets will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the temporary differences to be realised;
- the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the temporary differences.

## NOTE 8. EARNINGS PER SHARE

	30 June 2023	30 June 2022
Basic earnings (loss) per share - cents	0.06	(0.35)
Diluted earnings (loss) per share - cents	0.06	(0.35)
Net profit (loss) used in the calculation of basis and diluted earnings (loss) per share	236,556	(1,503,267)
Weighted average number of shares outstanding during the year used in the calculation of basic earnings (loss) per share	430,187,441	432,532,369
Weighted average number of shares outstanding during the year used in the calculation of diluted earnings (loss) per share	430,187,441	432,532,369

Options, performance rights and performance shares are not included in the determination of diluted earnings per share.

# Notes to the Financial Statements CONTINUED

## NOTE 9. CASH AND CASH EQUIVALENTS

### Working Capital and Provisions

This section provides further information about the Group's working capital and provisions.

	30 June 2023 \$	30 June 2022 \$
Cash at bank	1,559,397	11,807,737
Short term deposits	8,069,669	70,000
<b>Total cash and cash equivalents</b>	<b>9,629,066</b>	<b>11,877,737</b>

All cash balances are available for use by Kinatico Ltd. The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 21.

Cash at banks earns interest at floating rates on daily bank notice deposit rates. Deposits are made for varying notice periods, depending on the immediate cash requirements of the Group and earn interest at the respective deposit rates.

### Reconciliation of cash flows from operating activities

	30 June 2023 \$	30 June 2022 \$
<b>Profit / (Loss) after income tax for the year</b>	236,556	(1,503,267)
<b>Non-cash items recognised in profit or loss</b>		
Depreciation and amortisation	2,629,160	2,399,302
Share based payments	524,137	702,479
Unrealised foreign exchange	(4,019)	(9,811)
<b>Changes in working capital</b>		
Trade and other receivables	405,249	(22,250)
Other assets	(113,099)	257,994
Trade and other payables	95,748	966,425
Provision for Employee Benefits	(82,089)	(203,387)
Contract liabilities	141,793	417,129
Income tax liability	(187,529)	55,651
<b>Cashflow from operations</b>	<b>3,645,907</b>	<b>3,060,265</b>

# Notes to the Financial Statements CONTINUED

## NOTE 10. OTHER ASSETS

	30 June 2023 \$	30 June 2022 \$
<b>Current</b>		
Prepaid expenses	327,024	213,923
<b>Non-current</b>		
Security deposit	320,100	320,100
<b>Total other assets</b>	<b>647,124</b>	<b>534,023</b>

The security deposit is held as bank guarantee for the lease of the Group's office premises.

## NOTE 11. TRADE AND OTHER RECEIVABLES

	30 June 2023 \$	30 June 2022 \$
Trade receivables	2,369,483	2,795,693
Allowance for expected credit losses	(14,250)	(16,016)
Trade receivables net of expected credit losses	2,355,233	2,779,677
Other receivables	51,256	25,207
<b>Total trade and other receivables</b>	<b>2,406,489</b>	<b>2,804,884</b>

### Allowance for expected credit losses

The Group has not recognised a loss in profit or loss in respect of the respected credit losses for the year ended 30 June 2023. The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023 %	2022 %	2023 \$	2022 \$	2023 \$	2022 \$
0 to 30 days overdue	0%	0%	2,035,124	2,384,557	-	-
31-60 days overdue	0%	0%	131,023	99,004	-	-
61-90 days overdue	0%	0%	53,843	78,836	-	-
over 90 days overdue	7%	6%	200,749	258,503	14,250	16,016
			<b>2,420,739</b>	<b>2,820,900</b>	<b>14,250</b>	<b>16,016</b>

Movements in the allowance for expected credit losses are as follows:

	2023 \$	2022 \$
Opening balance	16,016	16,016
Additional provisions recognised	-	-
Receivables written off during the year as uncollectible	(1,766)	-
Unused amounts reversed	-	-
<b>Closing balance</b>	<b>14,250</b>	<b>16,016</b>

# Notes to the Financial Statements CONTINUED

## NOTE 12. TRADE AND OTHER PAYABLES

	30 June 2023 \$	30 June 2022 \$
Trade payables	1,825,653	2,083,025
Accrued expenses	1,060,770	720,999
Goods and services tax ("GST")	238,053	481,458
Other payables	385,695	638,978
<b>Total trade and other payables</b>	<b>3,510,171</b>	<b>3,924,460</b>

## NOTE 13. PROVISION FOR EMPLOYEE BENEFITS

	30 June 2023 \$	30 June 2022 \$
<b>Current</b>		
Provision for annual leave	744,403	838,292
Provision for long service leave	533,372	520,980
<b>Non-current</b>		
Provision for long service leave	-	-
<b>Total provision for employee benefits</b>	<b>1,277,775</b>	<b>1,359,272</b>

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

## NOTE 14. CONTRACT LIABILITIES

	30 June 2023 \$	30 June 2022 \$
Balance at beginning of the year	1,062,423	648,017
Deferred during the year	13,459,041	11,576,029
Recognised as revenue during the year	(13,317,248)	(11,160,524)
Foreign exchange difference	1,584	(1,099)
<b>Balance at the end of the year</b>	<b>1,205,800</b>	<b>1,062,423</b>

# Notes to the Financial Statements CONTINUED

## NOTE 15. PROPERTY, PLANT AND EQUIPMENT

### Invested Capital

This section provides further information about the Group's property and equipment and intangible assets and the carrying value of these non-financial assets.

#### Gross carrying amount and the accumulated depreciation at the beginning and end of the period

	Computer equipment \$	Plant & equipment \$	Right-of-use assets \$	Furniture & fittings \$	Leasehold improvements \$	Total \$
<b>At beginning of the period</b>						
Gross carrying amount	327,751	1,720	1,792,734	143,669	47,997	2,313,871
Accumulated depreciation	(146,833)	(917)	(94,887)	(98,603)	(1,674)	(342,914)
	<b>180,918</b>	<b>803</b>	<b>1,697,847</b>	<b>45,066</b>	<b>46,323</b>	<b>1,970,957</b>
<b>At the end of the period</b>						
Gross carrying amount	367,540	1,720	1,792,734	147,405	97,793	2,407,192
Accumulated depreciation	(228,043)	(1,261)	(472,822)	(109,446)	(14,677)	(826,249)
	<b>139,497</b>	<b>459</b>	<b>1,319,912</b>	<b>37,959</b>	<b>83,116</b>	<b>1,580,943</b>

#### Reconciliation of the carrying amount at the beginning and end of the period

	Computer equipment \$	Plant & equipment \$	Right-of-use assets \$	Furniture & fittings \$	Leasehold improvements \$	Total \$
<b>Carrying amount as at 30 June 2021</b>	<b>70,476</b>	<b>30,786</b>	<b>167,041</b>	<b>55,303</b>	<b>-</b>	<b>323,606</b>
Additions	167,427	-	1,796,699	2,904	47,995	2,015,025
Depreciation	(54,695)	(29,983)	(262,484)	(12,710)	(1,672)	(361,544)
Disposals	(62)	-	-	-	-	(62)
Foreign exchange difference	(2,228)	-	(3,409)	(431)	-	(6,068)
<b>Carrying amount as at 30 June 2022</b>	<b>180,918</b>	<b>803</b>	<b>1,697,847</b>	<b>45,066</b>	<b>46,323</b>	<b>1,970,957</b>
Additions	39,789	-	-	3,736	49,796	93,321
Depreciation	(81,599)	(342)	(380,209)	(11,073)	(13,192)	(486,415)
Foreign exchange difference	389	(2)	2,274	230	189	3,080
<b>Carrying amount as at 30 June 2023</b>	<b>139,497</b>	<b>459</b>	<b>1,319,912</b>	<b>37,959</b>	<b>83,116</b>	<b>1,580,943</b>

# Notes to the Financial Statements CONTINUED

## NOTE 16. INTANGIBLE ASSETS

### Gross carrying amount and the accumulated amortisation at the beginning and end of the period

	Goodwill	Product development	Intellectual property	Customer contracts	Customer relationships	Total
	\$	\$	\$	\$	\$	\$
<b>At beginning of the</b>						
Gross carrying amount	4,669,730	4,874,718	7,385,354	1,001,000	1,730,000	19,660,802
Accumulated	-	(1,726,292)	(1,119,982)	(138,422)	(239,231)	(3,223,927)
	<b>4,669,730</b>	<b>3,148,426</b>	<b>6,265,372</b>	<b>862,578</b>	<b>1,490,769</b>	<b>16,436,875</b>
<b>At the end of the</b>						
Gross carrying amount	4,669,730	8,735,253	7,385,354	1,001,000	1,730,000	23,521,337
Accumulated	-	(2,650,655)	(2,034,924)	(249,643)	(431,450)	(5,366,672)
	<b>4,669,730</b>	<b>6,084,598</b>	<b>5,350,430</b>	<b>751,357</b>	<b>1,298,550</b>	<b>18,154,665</b>

### Reconciliation of the carrying amount at the beginning and end of the period

	Goodwill	Product development	Intellectual property	Customer contracts	Customer relationships	Total
	\$	\$	\$	\$	\$	\$
<b>Carrying amount as at 30 June 2021</b>	<b>4,669,730</b>	<b>1,384,502</b>	<b>7,180,948</b>	<b>973,799</b>	<b>1,682,989</b>	<b>15,891,968</b>
Additions	-	2,582,665	-	-	-	2,582,665
Amortisation	-	(818,741)	(915,576)	(111,221)	(192,220)	(2,037,758)
<b>Carrying amount as at 30 June 2022</b>	<b>4,669,730</b>	<b>3,148,426</b>	<b>6,265,372</b>	<b>862,578</b>	<b>1,490,769</b>	<b>16,436,875</b>
Additions	-	3,860,535	-	-	-	3,860,535
Amortisation	-	(924,363)	(914,942)	(111,221)	(192,219)	(2,142,745)
<b>Carrying amount as at 30 June 2023</b>	<b>4,669,730</b>	<b>6,084,598</b>	<b>5,350,430</b>	<b>751,357</b>	<b>1,298,550</b>	<b>18,154,665</b>

Goodwill acquired during previous years through business combinations has been allocated to the following cash-generating units:

	30 June 2023	30 June 2022
	\$	\$
New Zealand operations	1,359,665	1,359,665
Australia operations	3,310,065	3,310,065
<b>Total Goodwill</b>	<b>4,669,730</b>	<b>4,669,730</b>

# Notes to the Financial Statements CONTINUED

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## NOTE 16. INTANGIBLE ASSETS CONTINUED

The recoverable amount of the Group's non-financial assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1-year projection period approved by the Board and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the Australia operation:

- i. 14.4 % pre-tax discount rate (2022: 11.70% Cited and Enable platforms only)
- ii. Expected consistent revenue growth of 6.2% between FY24 to FY28. The revenue growth rate is based on assumptions that the business will concentrate on the SAAS revenue with the launch of the Oncite Mobile App and the new CITED platform.
- iii. Expected consistent gross margin of 66% between FY24 to FY28;
- iv. Employee benefits costs increase by 2% in the first year, then 3% to 5% thereafter;
- v. Other operating costs and overheads increasing in line with revenue growth from between FY24 to FY28 and the expected CPI% increase.

The following key assumptions were used in the discounted cash flow model for the New Zealand operation:

- i. 14.4 % pre-tax discount rate (2022: 12.90%);
- ii. Expected negative growth of 5% for FY2024 and 3% growth for FY25, 5% growth for FY26, 15% growth for FY27 and 25% growth for FY28
- iii. Gross margin remains consistent for the first 3 years at 81% and a 4% improvement to 85% thereafter;
- iv. Employee benefits costs increase by 2% in the first 2 years, then 3% to 5% thereafter;
- v. Other operating costs and overheads increasing in line with revenue growth from years 2 to year 5 and expected CPI% increase.

The pre-tax discount rate of 14.4% for Australia operation (2022: 11.70% for Cited and Enable platforms only) and 14.4% for the New Zealand operations (2022: 12.90%) reflects management's estimate of the time value of money, the Group's weighted average cost of capital adjusted for the Australian and New Zealand operations and the risk-free rate.

Management believes the projected range of revenue growth is justified, based on the business achieving significantly higher growth rates after leveraging off current operations and internal developments and improvements that has occurred since.

# Notes to the Financial Statements CONTINUED

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## NOTE 16. INTANGIBLE ASSETS CONTINUED

### a. Sensitivity

As disclosed in Note 3, the management have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur, the resulting goodwill carrying amount may decrease. The key sensitivities are as follows:

#### Australia operations

- i. Revenue growth is restricted to 5.24% between FY24 to FY28, then goodwill would need to be impaired, with all other assumptions remaining constant.
- ii. The gross margin rate would have to decrease by 2.5% between FY24 to FY28 or more before goodwill would need to be impaired, with all other assumptions remaining constant.

#### New Zealand operations

- i. Revenue would have to decrease by 16.4% in FY24, 3.6% decrease in FY25, 6% decrease in FY26, 18% decrease in FY27 and 29.9% decrease in FY28 before goodwill would need to be impaired, with all assumptions remaining constant.
- ii. The gross margin rate would have to decrease 40.8% for the next 3 years up to FY26, decrease of 42.8% between FY27 to FY28 before goodwill would be impaired, with all assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's recoverable amount to be less than the carrying amount.

# Notes to the Financial Statements CONTINUED

## NOTE 17. LEASE LIABILITY

### Capital Structure, Financial Instruments and Risk

This section provides further information about the Group's contributed equity, financial liabilities, related financing costs and its exposure to various financial risks. It explains how these risks affect the Group's financial position and performance and what management does to manage these risks.

The Group has lease contracts for their office premises with lease terms of 5 years. The Group also has leases of office equipment with low value. The Group applies the "lease of low-value assets" recognition exemptions for these leases. The carrying amounts of right-of-use assets recognised and the movements during the period are shown in Note 15.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	30 June 2023 \$	30 June 2022 \$
As at 1 July	1,749,401	217,810
Addition	-	1,796,699
Accretion of interest	78,423	17,514
Payments	(329,614)	(265,108)
Foreign exchange difference	2,477	(17,514)
<b>As at 30 June</b>	<b>1,500,687</b>	<b>1,749,401</b>
Current	384,716	250,525
Non-current	1,115,971	1,498,876
	<b>1,500,687</b>	<b>1,749,401</b>

The following are the amounts recognised in profit or loss:

	30 June 2023 \$	30 June 2022 \$
Depreciation expense of right-of-use assets	380,209	262,484
Interest expense on lease liabilities	78,423	17,514
Expenses relating to leases of low-value assets	1,057	27,971
<b>Total amount recognised in profit or loss</b>	<b>459,689</b>	<b>307,969</b>

# Notes to the Financial Statements CONTINUED

## NOTE 18. ISSUED CAPITAL AND RESERVES

### Issued Capital

	30 June 2023		30 June 2022	
	No.	\$	No.	\$
<b>Balance at the beginning of the year</b>	<b>434,232,370</b>	<b>47,941,406</b>	<b>428,826,741</b>	<b>47,193,068</b>
<b>Transactions during the year:</b>				
Exercise of options	-	-	5,716,420	784,079
Share buyback	(14,579,646)	(1,283,410)	(310,791)	(35,741)
<b>Balance at the end of the year</b>	<b>419,652,724</b>	<b>46,657,996</b>	<b>434,232,370</b>	<b>47,941,406</b>

During FY23, the Company announced and commenced its on-market buyback in which a total of 14,579,646 shares were brought back for a total consideration of \$1,283,410. As at 30 June 2023, all shares bought back were not yet cancelled. The buyback continued after the balance sheet date. All shares acquired under the buyback were cancelled upon completion.

### Reserves

	30 June 2023			30 June 2022		
	Share Based Payments (i)	Foreign Currency Translation (ii)	Total	Share Based Payments (i)	Foreign Currency Translation (ii)	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at the beginning of the year</b>	<b>810,864</b>	<b>(56,591)</b>	<b>754,273</b>	<b>1,083,585</b>	<b>(910)</b>	<b>1,082,675</b>
Share-based payments	524,137	-	524,137	702,479	-	702,479
Movement of foreign currency translation reserve	-	18,149	18,149	-	(55,681)	(55,681)
Transfer to issued capital from options vested	-	-	-	(733,079)	-	(733,079)
Transfer to accumulated losses from options expired	-	-	-	(242,121)	-	(242,121)
<b>Balance at the end of the year</b>	<b>1,335,001</b>	<b>(38,442)</b>	<b>1,296,559</b>	<b>810,864</b>	<b>(56,591)</b>	<b>754,273</b>

#### (i) Share based payments reserve

Share-based payments reserve arises on the grant of performance rights, entitlement to performance shares, and options to the key management personnel and executives.

#### (ii) Foreign currency translation reserve

The foreign currency translation is used to record exchange differences arising from the translation of the financial statement of a foreign subsidiary. The movement arises from the translation of foreign subsidiary and the opening balance of equity.

# Notes to the Financial Statements CONTINUED

## NOTE 19. ACCUMULATED LOSSES

	30 June 2023 \$	30 June 2022 \$
Balance at the beginning of the year	(23,327,276)	(22,066,130)
Profit/(loss) after income tax for the year	236,556	(1,503,267)
Transfer from share-based payment reserve to accumulated losses	-	242,121
<b>Balance at the end of the year</b>	<b>(23,090,720)</b>	<b>(23,327,276)</b>

## NOTE 20. SHARE BASED PAYMENTS

### a. Share options

During the 2023 financial year, there were no new share options issued.

During the 2022 financial year, pursuant to Kinatico Employee Incentive Option Plan, which was approved by shareholders on 30 January 2019, the Company issued a total of 2,172,160 unlisted options to senior executives. These options were subject to vesting conditions and performance criteria being total revenue, percentage of SaaS license fee as proportion of total revenue, and continued tenure as employee for a period of 12 months from date of the options. On 13 October 2022, the share options were cancelled as the vesting conditions have not been met.

### b. Performance rights

During the 2023 financial year, there were no performance rights issued.

During the 2022 financial year the Company granted 6,000,000 Performance Rights to Directors, as approved by shareholders at the Annual General Meeting on 29 November 2021. The Performance Rights were subject to vesting conditions and performance criteria being share price, admittance to the S&P/ASX Technology index and continued tenure as a Director for a period of 12 months from date of issue of the performance rights. On 17 May 2023, the holders and the Company agreed to cancel all 6,000,000 of the performance rights.

### c. Entitlement to Performance shares

During the 2023 financial year, there were no new performance share issued.

During 2022, subject to the Company meeting various performance criteria as stated below, up to a maximum of 6,000,000 Performance Shares may become available to Michael Ivanchenko as part of his appointment as Chief Executive Officer, as announced on 4 August 2021. The issue of any Performance Shares may also be subject to any shareholder approval or regulators if required.

# Notes to the Financial Statements CONTINUED

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## NOTE 20. SHARE BASED PAYMENTS CONTINUED

### Performance Criteria for performance shares.

- Target 1** Share price of \$0.25 for three (3) consecutive months between Commencement Date and 30 June 2022. If Target 1 is achieved, then the CEO will be entitled to earn 2,000,000 ZPPS on the Reward Date. If Target 1 is not achieved, then the Bonus Pool for Target 2 or Target 3 will be increased by 1,000,000 ZPPS. Target 1 was not achieved.
- Target 2** Share price of \$0.30 for three (3) consecutive months during the financial year ended on 30 June 2023. The Bonus Pool for this Target is 2,000,000 ZPPS, plus any increase from Target 1, if that has not already been achieved. If Target 2 is not achieved, then the Bonus Pool for Target 3 will be increased by 1,000,000 ZPPS. Target 2 was not achieved.
- Target 3** Share price of \$0.45 for three (3) consecutive months during the financial year ended on 30 June 2024. The Bonus Pool for this Target is 2,000,000 ZPPS, plus any increase from Target 1 or Target 2, if either or both of those Targets have not already been achieved.

# Notes to the Financial Statements CONTINUED

## NOTE 20. SHARE BASED PAYMENTS CONTINUED

### Share Options

	30 June 2023		30 June 2022	
	No.	\$	No.	\$
<b>Balance at the beginning of the year</b>	<b>7,186,960</b>	<b>437,906</b>	<b>25,351,078</b>	<b>1,083,585</b>
Granted during the year	-	-	2,172,160	-
Expense recognised during the year	-	-	-	329,521
Exercised during the year	-	-	(5,716,420)	(733,079)
Expired / cancelled during the	(2,686,960)	-	(14,619,858)	(242,121)
<b>Balance at the end of the year</b>	<b>4,500,000</b>	<b>437,906</b>	<b>7,186,960</b>	<b>437,906</b>

### Performance Rights

	30 June 2023		30 June 2022	
	No.	\$	No.	\$
<b>Balance at the beginning of the year</b>	<b>6,000,000</b>	<b>171,742</b>	-	-
Granted during the year	-	-	6,000,000	-
Expense recognised during the year	-	416,857	-	171,742
Cancelled during the year	(6,000,000)	-	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>588,599</b>	<b>6,000,000</b>	<b>171,742</b>

### Entitlement to Performance Shares

	30 June 2023		30 June 2022	
	No.	\$	No.	\$
<b>Balance at the beginning of the year</b>	<b>6,000,000</b>	<b>201,216</b>	-	-
Granted during the year	-	-	6,000,000	-
Lapsed during the year	(2,000,000)	-	-	-
Expense recognised during the year	-	107,280	-	201,216
<b>Balance at the end of the year</b>	<b>4,000,000</b>	<b>308,496</b>	<b>6,000,000</b>	<b>201,216</b>

### Pricing models

The fair value of the share options, performance rights and performance shares granted under their respective plans are estimated at the grant date. The following tables list the inputs to the models.

Grant Date	Expiry Date	Number	Share Price At Grant Date Cents Per Share	Exercise Price Cents Per Share	Expected Volatility	Dividend Yield	Risk Free Interest Rate	Fair Value At Grant Date Cents Per Share
<b>Share Options *</b>								
08-Dec-21	08-Dec-23	1,875,864	15.0	-	80.0%	-	0.55%	5.2
25-Jan-22	25-Jan-24	296,296	12.5	-	88.4%	-	1.12%	8.7
<b>Performance Rights **</b>								
29-Nov-21	29-Nov-23	6,000,000	14.5	-	80.0%	-	0.52%	9.8
<b>Entitlement to Performance Shares</b>								
08-Aug-21	30-Sep-24	2,000,000	16.0	-	80.0%	-	0.17%	5.3
08-Aug-21	30-Sep-24	2,000,000	16.0	-	80.0%	-	0.17%	6.0
08-Aug-21	30-Sep-24	2,000,000	16.0	-	80.0%	-	0.17%	6.3

\* On 13 October 2022, the share options were cancelled as the vesting conditions have not been met.

\*\*On 17 May 2023, all 6m of performance rights have ceased due to cancellation by agreement between Kinatico Ltd and the holders. A total of \$171,607 of this relates to the cancellation of Performance Rights which requires immediate recognition instead of vesting over a period of time.

# Notes to the Financial Statements CONTINUED

## NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### a. Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and lease liabilities. The carrying amounts of financial instruments reflect their fair value:

	30 June 2023 \$	30 June 2022 \$
Cash and cash equivalents	9,629,066	11,877,737
Trade and other receivables	2,406,489	2,804,884
Trade and other payables	3,510,171	3,924,460
Lease liabilities	1,500,687	1,749,401

### b. Risk Management Policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the implementation of that system on a regular basis. The Board is assisted by the Audit & Risk Committee which also regularly reviews the Group's risks, effectiveness of risk mitigation steps and processes and provides recommendations to the Board.

The Board and Senior Management identify the general areas of risk and their impact on the activities of the Group, with Management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing the risk; and
- if appropriate, determine:
  - any inadequacies of the current approach; and
  - possible new approaches that more efficiently and effectively address the risk.

Management report risks identified to the Board and CEO through their reports and to the CEO at relevant management meetings.

The Group seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost-effective manner.

# Notes to the Financial Statements CONTINUED

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## NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### **c. Significant Accounting Policy**

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and financial liabilities represents their fair values determined in accordance with their accounting policies.

### **d. Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses disclosed in Notes 18,19 and 20.

By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by Management, the Board monitors the need to raise additional equity from the equity markets.

Taking account of the Group's current stage of development and the inherent business risks therein, the Board considers it inappropriate to add financial risk by introducing material levels of debt into the capital structure.

# Notes to the Financial Statements CONTINUED

## NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### e. Financial Risk Management

The key financial risks the Group is exposed to through its operations are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

#### (i) Interest Rate Risk

The Group is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates. The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

The Group has a bias to ensuring high availability of liquidity to ensure underlying business opportunities are maximised. Term deposits may be utilised from time to time to enhance interest returns over at call bank accounts; the Group's cash flow forecast forms the key consideration to the term adopted.

Interest rate risk is considered when managing Group funds. The Group considers the interest rate received by retaining cash and cash equivalents in the Group's operating account compared to placing funds into a term deposit; in recent times interest rates available to the Group for at call or near call accounts have been more attractive than those available in the term deposit market.

The Group's exposure to interest rate risk and the weighted average interest rates on the Group's financial assets and financial liabilities is as follows:

	WAVG Interest Rate	30 June 2023 \$	WAVG Interest Rate	30 June 2022 \$
Cash and cash equivalents	2.225%	9,629,066	0.225%	11,877,737

There has been no material change to the Group's exposure to interest rate risk or the manner in which it manages and measures its risk in the year ended 30 June 2023.

#### (ii) Interest Rate Sensitivity

The sensitivity analysis in the following table illustrates the impact of 100 basis points in variable interest rate, with all other variables held constant, and would have resulted in an increase/(decrease) in the Group's loss before tax as follows:

	30 June 2023 \$	30 June 2022 \$
100bp increase	96,291	118,777
100bp decrease	(96,291)	(118,777)

# Notes to the Financial Statements CONTINUED

## NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### e. Financial Risk Management CONTINUED

#### (iii) Foreign Currency Risk

The Group is exposed to foreign currency risk via the trade and other receivables and trade and other payables that it holds. Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group does not have a policy to hedge overseas payments or receivables as they are highly variable in amount and timing. To date the annual total value of transactions subject to foreign currency risk has been immaterial and is monitored with monthly reporting cycles.

The following financial assets and liabilities are subject to foreign currency risk:

	30 June 2023	30 June 2022
	\$	\$
Trade receivables (AUD / NZD)	345,362	391,195
Trade payables (AUD / GBP)	9,738	18,339
Trade payables (AUD / USD)	63,187	43,813
Trade payables (AUD / NZD)	10,431	62,348

Foreign currency risk is measured by regular review of cash forecasts, monitoring the dollar amount and currencies that payments are anticipated to be paid in. The Group also considers the market fluctuations in relevant currencies to determine the level of exposure. If the level of exposure is considered by Management to be too high, then Management has authority to take steps to reduce the risk.

Steps to reduce risk may include the acquisition of foreign currency ahead of the anticipated due date of an invoice, or may include negotiations with suppliers to make payment in our functional currency, or may include holding receipted foreign currency funds in a foreign currency denominated bank account to make future payments denominated in that same currency. Should Management determine that the Group consider taking out a hedge to reduce the foreign currency risk, they would need to seek Board approval.

The Group conducts activities outside of Australia that expose it to transactional currency movements, where the Group is required to pay in a currency other than its functional currency.

There has been no change in the manner the Group manages and measures its risk in the year ended 30 June 2023.

# Notes to the Financial Statements CONTINUED

## NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### e. Financial Risk Management CONTINUED

#### (iv) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. 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 Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Group has analysed its trade and other receivables below:

	0-30 days \$	31-60 days \$	61-90 days \$	90 + days \$
FY23 Trade and other receivables	2,035,124	131,023	53,843	186,499
FY22 Trade and other	2,384,557	99,004	78,836	242,487

# Notes to the Financial Statements CONTINUED

## NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### e. Financial Risk Management CONTINUED

#### (v) Liquidity Risk

The Group is exposed to liquidity risk via its trade and other payables. Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet the commitments associated with its financial instruments. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Group's Management at Board meetings to ensure that the Group continues to be able to meet its debts as and when they fall due

Contracts are not entered into unless the Board believes that there is sufficient cash flow to fund the additional activity. The Board considers when reviewing its undiscounted cash flow forecasts whether the Group needs to raise additional funding from the equity markets.

#### (vi) Remaining contractual maturities

The following tables detail the group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	WAVG Interest Rate	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
<b>Consolidated - 2023</b>					
<i>Non-interest bearing</i>					
Trade payables	-	1,825,653	-	-	-
Other payables	-	1,684,518	-	-	-
<i>Interest bearing - fixed rate</i>					
Lease liability	4.75%	447,768	448,753	742,983	-
<b>Total</b>		<b>3,957,939</b>	<b>448,753</b>	<b>742,983</b>	<b>-</b>

#### **Consolidated - 2022**

##### *Non-interest bearing*

Trade payables	-	2,083,025	-	-	-
Other payables	-	1,841,435	-	-	-

##### *Interest bearing - fixed rate*

Lease liability	4.75%	329,966	447,768	1,191,736	-
<b>Total</b>		<b>4,254,426</b>	<b>447,768</b>	<b>1,191,736</b>	<b>-</b>

# Notes to the Financial Statements CONTINUED

## NOTE 22. INTEREST IN SUBSIDIARIES

### Kinatico Group Structure

This section provides information on how the Group's structure affects the financial position and performance of Kinatico Limited as a whole.

The following list contains the particulars of all the subsidiaries of Kinatico Limited.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			30 June 2023	30 June 2022
CV Check (NZ) Ltd	New Zealand	Ordinary	100%	100%
Credentials Management Information Systems Pty Ltd	Australia	Ordinary	100%	100%
CI6 Pty Ltd	Australia	Ordinary	100%	100%
Bright People Technologies Pty Ltd	Australia	Ordinary	100%	100%
FIFO 360 Pty Ltd	Australia	Ordinary	100%	100%

## NOTE 23. PARENT ENTITY DISCLOSURE

### Other Information

This section includes other information that must be disclosed to comply with accounting standard and other pronouncements but are not considered critical in understanding the financial performance or position of the Group.

	30 June 2023	30 June 2022
	\$	\$
<b>Information relating to Kinatico Limited</b>		
Current assets	25,292,717	12,371,538
Total assets	30,580,693	31,488,551
Current liabilities	5,854,382	4,930,182
Total liabilities	6,924,191	6,325,656
Issued capital	46,657,996	47,941,406
Reserves	1,335,001	810,864
Accumulated losses	(24,336,495)	(23,589,110)
Total shareholder's equity	23,656,502	25,163,160
Loss of the parent entity	(747,385)	(1,399,581)
Total comprehensive loss of the parent entity	(747,385)	1,399,581

# Notes to the Financial Statements CONTINUED

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## NOTE 23. PARENT ENTITY DISCLOSURE

### **a. Contingent liabilities**

The parent entity had a bank guarantee as of 30 June 2023 for \$320,100 (2022: \$320,100).

### **b. Capital commitments - Property, plant and equipment**

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

### **c. Significant accounting policies**

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

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

# Notes to the Financial Statements CONTINUED

## NOTE 24. RELATED PARTY DISCLOSURE CONTINUED

### a. Subsidiaries

Interest in subsidiaries are set out in Note 22.

### b. Key management personnel

Disclosures relating to key management personnel are set out in the remuneration report in the Director's Report

	30 June 2023 \$	30 June 2022 \$
Short-term employee benefits	1,419,981	941,914
Post employment benefits	93,278	58,730
Long-term benefits	-	-
Share based payments	524,137	485,879
<b>Total key management personnel compensation</b>	<b>2,037,396</b>	<b>1,486,523</b>

### c. Transaction with related parties

Other than intercompany transactions there were no other transactions with related parties for the year ended 30 June 2023.

In the year ended 30 June 2022, The Group made contractual payments amounting to \$85,000 to Wavescope Investments Pty Ltd, a related party of Jon Birman, in relation to the leased premises at 35 Oxford Close, West Leederville.

The transactions with related parties in the prior year were on normal commercial terms and at conditions no more favourable than those available to other parties, unless otherwise specified.

As of 30 June 2023, the balance of remuneration payable to Key Management Personnel amounted to \$307,881 (FY22: Nil). This is attributable to accrual for short term incentive and on target earnings (both noted above) paid to Executive KMP.

## NOTE 25. AUDITOR'S REMUNERATION

	30 June 2023 \$	30 June 2022 \$
<b>Audit services</b>		
Audit or review of the financial statements	74,500	69,500
<b>Other services</b>		
Taxation advisory and compliance	36,868	49,680
Other - Due diligence, R&D incentive services	6,240	1,000
<b>Total auditor's remuneration</b>	<b>117,608</b>	<b>120,180</b>

# Notes to the Financial Statements CONTINUED

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## NOTE 26. COMMITMENTS AND CONTINGENCIES

### **a. Commitments**

There are no capital commitments as of 30 June 2023 (2022: NIL).

### **b. Contingent assets**

There are no contingent assets as of 30 June 2023 (2022: NIL).

### **c. Contingent liabilities**

The Group has given bank guarantees as at 30 June 2023 at \$333,884 (2022: \$320,100).

## NOTE 27. EVENTS AFTER THE REPORTING DATE

There are currently no matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the affairs of the Group in the future financial years.

## NOTE 28 DIVIDENDS

There were no dividends declared for the year ended 30 June 2023 (2022: NIL).

# Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the 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 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- 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

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

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

On behalf of the directors



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Ivan Gustavino

Chairman

29 August 2023

Perth, Western Australia



## **Independent Auditor's Report**



**RSM Australia Partners**

Level 32 Exchange Tower  
2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100  
F +61 (0) 8 9261 9111

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Kinatico Limited

#### Opinion

We have audited the financial report of Kinatico Limited (Company) and its subsidiaries (Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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RSM Australia Partners ABN 36 965 185 036

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## Key audit matters

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

Key audit matter	How our audit addressed this matter
<b>Impairment of goodwill</b> - refer to Note 16 in the financial statements	
<p>At 30 June 2023, the Group held \$4,669,730 of goodwill on the consolidated statement of financial position, arising from past business combinations.</p> <p>Goodwill is required to be tested for impairment annually by determining the recoverable amount of each CGU to which the assets were allocated. During the financial year, management completed impairment testing for goodwill.</p> <p>We determined this to be a key audit matter due to the extent of management judgement and estimates involved in:</p> <ul style="list-style-type: none"> <li>• Determining the attributable goodwill acquired in the prior financial years.</li> <li>• Testing goodwill for impairment including determining the cash generating units (“CGUs”) to which the goodwill relates and determining the recoverable amount of the related CGUs utilising a value in use model which includes assumptions such as revenue growth rate, discount rate and terminal value growth rate; and</li> <li>• Determining the carrying value of each CGU.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating management’s determination of allocating goodwill to each CGU in accordance with Australian Accounting Standards, based on the nature of the Group’s business and the way results are monitored and reported;</li> <li>• Assessing the valuation methodology used to determine the recoverable amount of goodwill;</li> <li>• Challenging the reasonableness of key assumptions, including the cash flow projections, expected revenue growth rates, the discount rates and sensitivities used;</li> <li>• Assessing management’s sensitivity analysis over the key assumptions used in the model;</li> <li>• Assessing the appropriateness of management’s determination of carrying value of each CGU;</li> <li>• Checking the mathematical accuracy of the value in use model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and</li> <li>• Assessing the appropriateness of disclosures in the financial statements to ensure compliance with Australian Accounting Standards.</li> </ul>

Key audit matter	How our audit addressed this matter
<b>Revenue recognition</b> - refer to Note 5 in the financial statements	
<p>The Group earns revenue by providing screening and verification services and software as a service ('SAAS') based workforce management and compliance technology systems.</p> <p>We determined this to be a key audit matter because it is the most significant account balance in the consolidated statement of profit or loss and other comprehensive income and the process of revenue recognition is complex due to multiple revenue streams for services rendered or products offered. Furthermore, the revenue transactions are high volume and of low value. The revenue recognition of each revenue stream is subject to management judgements. These include:</p> <ul style="list-style-type: none"> <li>• Determining the appropriate accounting policy in relation to each revenue stream; and</li> <li>• Determining the revenue recognised is for an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining a detailed understanding of each revenue stream and the process for calculating and recording revenue;</li> <li>• Performing substantive testing on each revenue stream on a sample basis to supporting documentation;</li> <li>• Testing the deferred revenue calculation for revenue received in advance by assessing the extent to which performance obligations have not been satisfied at year end;</li> <li>• On a sample basis, testing revenue transactions before and after year-end to ensure that revenue is recognised in the correct financial period including credit notes issued subsequent to the year ended;</li> <li>• Assessing whether the revenue recognition policy comply with Australian Accounting Standards;</li> <li>• Performing substantive analytical procedures on certain revenue streams by establishing an independent expectation of revenue and comparing revenue recognised and investigating any exceptions; and</li> <li>• Assessing the appropriateness of disclosures in the financial statements to ensure compliance with Australian Accounting Standards.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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

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

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

### **Responsibilities of the directors for the financial report**

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

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

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Kinatico Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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



RSM AUSTRALIA PARTNERS



AIK KONG TING  
Partner

Perth, WA  
Dated: 29 August 2023

# Shareholder Information

The shareholder information set out below was applicable as at 19 August 2023.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary Shares	
	Number of holders	% of total shares issued
1 to 1,000	21	0.00%
1,001 to 5,000	81	0.08%
5,001 to 10,000	200	0.37%
10,001 to 100,000	602	5.53%
100,001 and over	346	94.02%
Holding less than a marketable parcel	39	0.01%

## Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number of shares	% of total shares issued
NATIONAL NOMINEES LIMITED	51,738,936	11.92%
H&G HIGH CONVICTION LIMITED	22,682,927	5.22%
Jon Birman (Group)	22,397,811	5.16%
MR STEVEN CAROLAN	15,663,299	3.61%
DECLAN STEPHEN HOARE <CARBON 1 A/C>	14,598,540	3.36%
PETRA JANE NELSON <CARBON 2 A/C>	14,598,540	3.36%
Rodney and Gaynor Sherwood (Group)	13,909,170	3.20%
JOHN RAYMOND SHAW <JSA A/C>	10,948,905	2.52%
Charles Stewart (Group)	9,669,340	2.23%
Stephens Family (Group)	9,150,000	2.11%
Ian Callahan & family (Group)	8,948,905	2.06%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,797,334	2.03%
Neal & Alison Conliffe (Group)	7,772,002	1.79%
Hill family (Group)	6,908,725	1.59%
Myers family (Group)	6,778,314	1.56%
Michael & Judith Stewart (Group)	6,479,856	1.49%
Alan and Kerrie Pearlman (Group)	6,151,010	1.42%
John Imbruglia (Group)	4,200,000	0.97%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,160,373	0.96%
MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	4,000,000	0.92%
<b>Total</b>	<b>249,553,987</b>	<b>57.47%</b>

# Shareholder Information CONTINUED

## Unquoted equity securities

	Number on issue	Number of holders
Options with an exercise price of 37.1 cents, expiring 18/02/2024	4,500,000	3

## Substantial holders

	Ordinary Shares	
	Number of shares	% of total shares issued
NATIONAL NOMINEES LIMITED	51,738,936	11.92%
H&G HIGH CONVICTION LIMITED	22,682,927	5.22%
Jon Birman (Group)	22,397,811	5.16%

## Voting Rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares	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.
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There are no other classes of equity securities.