

SenterpriSys Limited

ABN 14 146 845 123

Financial Statements

For the Year Ended 30 June 2020



SenterpriSys Limited

ABN 14 146 845 123

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For the Year Ended 30 June 2020

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Chairman's Letter

For the Year Ended 30 June 2020

Dear Shareholders

The Company recorded a net profit after tax of \$142,878 (2019: \$6,008). The Company is in a negative working capital position of \$310,055 (2019: \$34,934).

Rainrose Pty Ltd, an entity I control, has signed a letter of support guaranteeing the Company's obligations for the next 12 months. We anticipate that a capital raising will be considered by the Board in the second half of FY21.

We are disappointed that many of the proposed initiatives for FY20 have not been achieved. Nevertheless, as of last month, most modules of the software are being used by Tamawood Limited, a related entity, and only subject to further necessary productivity improvements. Once these have been satisfied, the development project will focus on final accounting modules and links to commonly used accounting software packages. Tamawood is currently using most software enterprise system modules and based on this successful implementation SenterpriSys is well placed to launch the finalised software to market.

Website and digital marketing activity will increase, and the number of enquiries is expected to increase.

FY21 Outlook

- The first version of "QANOTIX" (ISO:9001 quality assurance software) should be available and adapted to use by a number of industries.
- Revenue from Tamawood Limited is expected to increase in line with the increase in the number of homes under construction.
- The number of software downloads in the US is expected to grow once issues with imperial dimensioning and accounting functions are resolved.



Lev Mizikovsky
Non-executive Chairman

Dated: 10 September 2020

SenterpriSys Limited

ABN 14 146 845 123

Directors' Report

For the Year Ended 30 June 2020

The directors present their report, together with the financial statements of SenterpriSys Limited ("the Company" or "SenterpriSys") and its controlled entities ("Group"), for the financial year ended 30 June 2020.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Position
Lev Mizikovsky	Non-executive Chairman
Rade Dudurovic	Non-executive Director and Chair of the Audit Committee
Laurie Lefcourt	Non-executive Director
Michael Fennell	Managing Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company secretaries

The following persons held the position of Company secretary at the end of the financial year:

Geoff Acton (B.Com, CA, GAICD)

Narelle Lynch ("Cert (Gov Prac)")

Principal activities and significant changes in nature of activities

The principal activity of SenterpriSys during the financial year substantially focused on finalising the development of a small enterprise management system for the housing industry and subcontractors to be commercially saleable ("Software").

There were no significant changes in the nature of the Group's principal activities during the financial year.

Operating results and review of operations for the year

SenterpriSys achieved an operating profit after tax of \$142,878 for the year ended 30 June 2020 (2019: \$6,008). The revenue of \$709,979 was derived from continuing to provide support and maintenance for IT systems of Tamawood Limited, AstiVita Limited and Advance NanoTek Limited as well as licensing fees for the use of the Software by Tamawood Limited. There are no contracts in place and this revenue is derived on a month-by-month basis as the services of SenterpriSys are required by these companies.

The Group is still in the Software development phase and all modules are being utilised by Tamawood Limited, a related entity, as part of the Software testing process. SenterpriSys has commenced marketing the Software and a number of third-party enquiries have been generated.

Review of financial position

The net assets of SenterpriSys have increased from \$2,829,843 as at 30 June 2019 to \$2,972,721 as at 30 June 2020.

As at 30 June 2020 the Group had a negative working capital position of \$310,055 (2019: \$34,925).

Rainrose Pty Ltd, an entity controlled by the Chairman, Mr Lev Mizikovsky, has provided a letter of support guaranteeing the Company's obligations for the next twelve months.

Directors' Report

For the Year Ended 30 June 2020

COVID-19 impact to the company

There has been no impact to revenue or the business activities of SenterpriSys due to COVID-19. The Group has not qualified for Government support from the JobKeeper initiatives.

Dividends paid or recommended

No dividends were declared or paid during the financial year.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in SenterpriSys during the year.

Events after the reporting date

Subsequent to 30 June 2020, Tamawood Limited has announced that it will distribute 9,210,030 shares in SenterpriSys to existing Tamawood shareholders, reducing its holding in the Company to 10.16%.

Future developments and results

The Group has substantially completed the Software development phase and the focus in FY21 will be to market the Software modules to residential house builders and subcontractors in order to provide these businesses with an integrated software solution that addresses order processing, supply chain management, estimating, project management and customer relationship management. Website and digital marketing has already commenced.

Environmental matters

SenterpriSys's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Options

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Insurance of officers

During the year, the Company paid a premium to insure the Directors, Secretaries and Officers of the Company and its controlled entities. The liabilities insured exclude any criminal, fraudulent, dishonest, or malicious act or omission or improper use of information or position to gain a personal advantage.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company.

Details of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under terms of the insurance contract.

Directors' Report

For the Year Ended 30 June 2020

Information on directors

Lev Mizikovsky

Qualifications

Experience

FAICD

Lev Mizikovsky is Non executive Chairman and major shareholder of SenterpriSys. Lev is the founding Director of Tamawood Limited which started in July 1989 and is still a Non executive Director and major shareholder. Since 1997, Mr Lev Mizikovsky has been a Fellow of the Australian Institute of Company Directors (FAICD). He is a substantial shareholder in a number of other Queensland companies including Lindsay Australia Limited, Advance NanoTek Limited, Tamawood Limited and AstiVita Limited.

Rade Dudurovic

Qualifications

Experience

B.Com (Hons), LLB (Hons)

Rade Dudurovic has an extensive background in private equity with strong exposure to industrial and branded consumer manufacturing and distribution businesses particularly in the Asian region. He has qualifications in commerce and law and is a CPA as well as Senior Fellow of FINSIA. Rade is a Non-executive Director of Advance NanoTek Limited and AstiVita Limited.

Laurie Lefcourt

Qualifications

Experience

B. Finance & Administration, FCA, GAICD

Laurie has extensive experience in senior finance roles across a number of industries including mining and resources, construction, infrastructure and agriculture. She has held CFO and company secretary roles in both small and large organisations. Laurie has significant experience from her executive career relating to strategy, governance, risk management and compliance. Laurie is a Non-executive Director of Tamawood Limited and Advance NanoTek Limited.

Michael Fennell

Experience

Michael Fennell brings to SenterpriSys his knowledge in his 30+ years within the Tamawood Group. Michael has an in-depth knowledge and understanding of software architecture and design, system integration and virtualisation.

Company secretaries

Geoff Acton

Qualifications

Experience

B.Com, CA, GAICD

Geoff is a chartered accountant and has a 21 year history with the Tamawood Group including Director, Chief Financial Officer and Company Secretary. Further, he has an in-depth knowledge of the renewable energy sector as head of the successful Renewable Energy Certificate trading business established in 2004.

Narelle Lynch

Qualifications

Cert (Gov Prac)

Narelle was appointed joint Company Secretary on 9 November 2018. She is also joint Company Secretary of Tamawood Limited, AstiVita Limited and Advance NanoTek Limited

Directors' Report

For the Year Ended 30 June 2020

Meetings of directors

During the financial year, 17 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Risk Management Committee		Nomination Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Lev Mizikovsky	11	11	2	2	2	2	1	1	1	1
Rade Dudurovic	11	11	2	2	2	2	1	1	1	1
Laurie Lefcourt	11	11	2	2	2	2	1	1	1	1
Michael Fennell	11	11	-	1*	2	2	-	1*	-	1*

*attended by invitation

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

The total fees to the Company's external auditors, William Buck Audit (Vic) Pty Ltd, for non-audit services during the year ended 30 June 2020 was Nil (2019: Nil).

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2020 has been received and can be found on page 10 of the financial report.

Remuneration report (audited)

This remuneration report for the year ended 30 June 2020 outlines the remuneration arrangements of the key management personnel of the Company, including the Directors, in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Remuneration policy

The performance of the Company depends upon the quality of its key management personnel. To prosper, the Company must attract, motivate and retain highly skilled Directors and other key management personnel.

Directors' Report

For the Year Ended 30 June 2020

Remuneration report (audited) (cont)

Remuneration policy (cont)

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre key management personnel
- Link executive rewards to shareholder value

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive remuneration is separate and distinct.

Non-executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, and at a remuneration level within market rates.

Structure

No element of Non-executive Director remuneration is directly linked to profit performance. Remuneration is approved at the Annual General Meeting and the proposed cap is \$250,000 for the aggregate remuneration of Non-executive Directors. Details of remuneration which is linked to performance is detailed in the service agreement note for key management personnel.

Executives and Other Key Management Personnel

Objective

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Align the interests of Executives with those of shareholders;
- Link rewards with the strategic goals of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed executive remuneration;
- Other remuneration such as superannuation and leave entitlements; and
- Commission and bonuses payable.

Directors' Report

For the Year Ended 30 June 2020

Remuneration report (audited) (cont)

Remuneration details for the year ended 30 June 2020

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of SenterpriSys.

Table of benefits and payments

		Short term benefits		Equity settled shares	Post employment	Long term benefits (LSL)	Termination Benefits	
	Cash salary fees & leave	Bonus	Non monetary		Superannuation			TOTAL (\$)
Year Ended 30 June 2020	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors								
- L Mizikovsky (Non-executive Director)	-	-	-	-	-	-	-	-
- R Dudurovic (Non-executive Director)	20,000	-	-	-	-	-	-	20,000
- L Lefcourt (Non-executive Director)	20,000	-	-	-	-	-	-	20,000
Sub-total Non-executive Directors	40,000	-	-	-	-	-	-	40,000
Executive Directors								
- M Fennell (Managing Director)	173,250	-	13,208	-	14,798	-	-	201,256
Sub-total Executive Directors	173,250	-	13,208	-	14,798	-	-	201,256
Total	213,250	-	13,208	-	14,798	-	-	241,256

		Short term benefits		Equity settled shares	Post employment	Long term benefits (LSL)	Termination Benefits	
	Cash salary fees & leave	Bonus	Non monetary		Superannuation			TOTAL (\$)
Year Ended 30 June 2019	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors								
- L Mizikovsky (Non-executive Director)	-	-	-	-	-	-	-	-
- R Dudurovic (Non-executive Director)	-	-	-	-	-	-	-	-
- L Lefcourt (Non-executive Director)	3,333	-	-	-	-	-	-	3,333
Sub-total Non-executive Directors	3,333	-	-	-	-	-	-	3,333
Executive Directors								
- M Fennell (Managing Director)	184,832	-	13,208	5,000	17,531	-	-	220,571
Sub-total Executive Directors	184,832	-	13,208	5,000	17,531	-	-	220,571
Total	188,165	-	13,208	5,000	17,531	-	-	223,904

Cash performance-related bonuses

None of the key management personnel remuneration paid in 2020 was performance based (2019: Nil).

Directors' Report

For the Year Ended 30 June 2020

Remuneration report (audited) (cont)

Key management personnel shareholdings

30 June 2020	Balance at beginning of year	Changes prior to consolidation	Balance after consolidation	Other changes during the year	Balance at end of year
Directors					
L Mizikovsky	39,451,633	-	-	-	39,451,633
R Dudurovic	585,292	-	-	-	585,292
L Lefcourt	-	-	-	-	-
M Fennell	2,059,337	-	-	-	2,059,337
	42,096,262	-	-	-	42,096,262

30 June 2019	Balance at beginning of year	Changes prior to consolidation	Balance after consolidation	Other changes during the year	Balance at end of year
Directors					
L Mizikovsky	59,836,378	18,255,550	39,045,964	405,669	39,451,633
R Dudurovic	1,070,584	100,000	585,292	-	585,292
L Lefcourt	-	-	-	-	-
M Fennell	4,020,840	(2,166)	2,009,337	50,000	2,059,337
	64,927,802	18,353,384	41,640,593	455,669	42,096,262

Equity Instruments Granted as Share Based Payment

Details of ordinary shares in the Company, issued as a result of the implementation of the Employee Share Scheme are set below:

Share based payments	\$	Number of shares	Grant date	% vested in period	% forfeited in period	Vesting date
KMP						
Michael Fennell	5,000	50,000	04/02/2019	-	-	05/02/2021

The shares issued under the plan are subject to a 2-year escrow period from the date of issue. 75% of the shares are also subject to a voluntary escrow arrangement for two years with the National Stock Exchange of Australia.

Directors' Report

For the Year Ended 30 June 2020

Remuneration report (audited)

Service Agreements

It is the Group's policy that service contracts and employment contracts for key management personnel are open ended, but are capable of termination with two weeks' notice. The Company retains the right to terminate the contract immediately by making payment equal to one month's remuneration in lieu of notice.

On termination, Directors and other key management personnel are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable, except as otherwise approved by the Remuneration Committee.

Unless otherwise stated, service agreements and employment contracts do not provide for predetermined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board of Directors.

End of Audited Remuneration Report

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2020 has been received and can be found on page 10 of the financial report.

This Director's Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Lev Mizikovsky
Non-executive Chairman

Dated: 10 September 2020

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2020 there have been:

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



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



J. C. Luckins
Director

Dated this 10th day of September 2020

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue	2	709,979	586,368
Other revenue	2	22	-
Employee benefits expense		(243,618)	(166,383)
Depreciation expense	7	(23,234)	(22,206)
Director fees - non-executive		(40,000)	(3,333)
Professional fees		(115,572)	(237,752)
Information, communication and technology costs		(55,572)	(72,643)
Rent		(24,614)	(27,649)
Other operating expenses		(71,215)	(81,508)
Profit (loss) before income tax		136,176	(25,106)
Income tax benefit	3	6,702	31,114
Profit (loss) after income tax		142,878	6,008
Profit for the year		142,878	6,008
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		142,878	6,008

Earnings per share

Basic earnings per share	0.002 cents	0.009 cents
Diluted earnings per share	0.002 cents	0.009 cents

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		65,599	93,880
Trade and other receivables	6	30,989	35,585
TOTAL CURRENT ASSETS		96,588	129,465
NON-CURRENT ASSETS			
Property, plant and equipment	7	66,362	91,988
Deferred tax assets	5	88,097	81,395
Intangible assets	8	3,786,097	2,725,308
TOTAL NON-CURRENT ASSETS		3,940,556	2,898,691
TOTAL ASSETS		4,037,144	3,028,156
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	266,986	45,853
Provisions	10	139,648	118,537
Unearned Income	11	9	9
TOTAL CURRENT LIABILITIES		406,643	164,399
NON-CURRENT LIABILITIES			
Borrowings	12	615,000	-
Provisions	10	42,780	33,914
TOTAL NON-CURRENT LIABILITIES		657,780	33,914
TOTAL LIABILITIES		1,064,423	198,313
NET ASSETS		2,972,721	2,829,843
EQUITY			
Issued capital	13	3,009,391	3,009,391
Accumulated losses		(36,670)	(179,548)
TOTAL EQUITY		2,972,721	2,829,843

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Year Ended 30 June 2020

2020

	Ordinary Shares	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 July 2019	3,009,391	(179,548)	2,829,843
Profit for the year	-	142,878	142,878
Transactions with owners in their capacity as owners	-	-	-
Balance at 30 June 2020	3,009,391	(36,670)	2,972,721

2019

	Ordinary Shares	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 July 2018	866,638	(185,556)	681,082
Profit for the year	-	6,008	6,008
Transactions with owners in their capacity as owners			
Issue of shares	2,079,003	-	2,079,003
Employee share scheme	63,750	-	63,750
Balance at 30 June 2019	3,009,391	(179,548)	2,829,843

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (including GST)		751,422	310,251
Payments to suppliers and employees (including GST)		(336,662)	(591,946)
Interest received		356	5,436
Net cash provided by/(used in) operating activities	14	415,116	(276,259)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		14,230	-
Capitalised software development costs		(1,060,789)	(1,094,086)
Purchase of property, plant and equipment		(11,838)	(82,473)
Net cash used in investing activities		(1,058,397)	(1,176,559)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		-	2,079,003
Proceeds from (repayment of) borrowings		615,000	(700,000)
Net cash provided by financing activities		615,000	1,379,003
Net decrease in cash and cash equivalents held		(28,281)	(73,815)
Cash and cash equivalents at beginning of year		93,880	167,695
Cash and cash equivalents at end of financial year		65,599	93,880

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

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

The financial statements, except for the cashflow information, have been prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

A list of subsidiaries is contained in Note 16 to the financial statements.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(c) Going concern

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. For the year ended 30 June 2020 the consolidated entity earned a net profit of \$142,878 (2019: profit \$6,008). Net cash inflows from operating, activities for the current year totalled \$415,116 (2019: Net outflows of \$276,259). As at 30 June 2020 the consolidated entity had net tangible liabilities of \$901,473 (2019: net tangible assets of \$23,140).

The Company's ability to continue as a going concern is dependent on its ability to improve the currently occurring operating position by restructuring operations, increasing sales, and, if necessary, obtaining replacement debt or equity funding. Rainrose Pty Ltd, a related party has advanced \$615,000 (2019: NIL). Rainrose Pty Ltd has confirmed it will continue to support the Company and advance further funds in 2021 if required and has provided a letter of support to the Company.

The Company's ability to continue as a going concern is dependent on the on-going support of its creditors and related parties.

(d) Economic dependence

SenterpriSys is dependent on the related parties for the majority of its revenue used to operate the business. At the date of this report the directors have no reason to believe the related parties will not continue to support SenterpriSys.

(e) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(f) Property, plant and equipment

Plant and equipment

Plant and equipment are measured using the cost model. Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Motor Vehicles	28.57%
Plant and equipment	25 - 50%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

(g) 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.

(h) Intangibles

Work in progress - software development

The development of the Software and related modules comprises a number of phases including initial development, testing processes, customer trials and feedback until the Software is shelf ready and commercially viable for sale.

The costs are capitalised to Computer Software WIP and once the products are fully approved, they will be transferred to software assets.

The expenditure completed includes the cost of materials and direct labour that are directly attributed to preparing the asset for its intended use.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(k) Share based payments

The Group operates an equity settled share based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense immediately with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price.

An Employee Share Plan ('Plan') has been established to enable officers, staff and contractors to participate in the capital growth of the Company. The Group follows this by allowing all Eligible Employees of the Group to be issued shares in the Company.

Offer to participate: The Board may, from time to time, at its absolute discretion, issue written offers to eligible employees, inviting them to accept shares in the Company ('Offer'). The Board must make Offers on a non-discriminatory basis to at least 75% of Australian resident permanent employees who have completed at least 3 years of service (whether continuous or non-continuous) with the Group.

Restriction on disposal: A participant may not dispose of, deal in, or grant a security interest over, any interest in a share issued under the Plan until the earlier of

- the end of the period of three years commencing on the date of the issue of that share
- the date on which the participant is no longer employed by a Group company; and
- the end of any other period determined by the Board in accordance with relevant law.

Shares to rank pari passu: Shares issued under the Plan will rank equally in all respects with ordinary shares in the company for the time being on issue except for any rights attached to the shares by reference to a record date prior to the date of issue.

The Plan is in compliance with the Corporations Act and Listing Rules of NSX as amended or waived from time to time.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(I) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- 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 accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the 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.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(l) Income Tax (cont)

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(m) Revenue and other income

Revenue is recognised when it is highly probable that a significant reversal will not occur.

Maintenance and IT support

Revenue for maintenance and IT support is recognised over time as the services are rendered based on either a fixed price or hourly rate. Invoices are paid on named control terms.

(n) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

(p) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life or not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(r) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Borrowings

Loans and borrowing are initially recognised at the fair value of the consideration received. They are subsequently measured at amortised cost using the effective interest method.

(t) Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - development costs

Development expenditure incurred on an individual project is carried forward (capitalised) when management considers that its future recoverability can reasonably be regarded as assured.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(t) Critical Accounting Estimates and Judgments (cont)

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets recognition criteria listed above. Where no internally generated intangible asset can be recognised, expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(u) New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group has a single lease in place for office space for its (seven) 7 employees for term of a further twelve 12 months with the lease expiring in February 2021. The Group is presently considering relocation to other premises.

The Group has shown lease expenses for the year ended 30 June 2020 in the figure for Rent in the Statement of Profit and Loss and Other Comprehensive Income. The amounts calculated pursuant to AASB 16 are not considered material and, accordingly, the disclosures required under AASB 16 have not been made.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Revenue and Other Income

Revenue

	2020	2019
	\$	\$
Revenue from contracts with customers		
- rendering of services	709,623	580,932
Other revenue		
- interest received	356	5,436
Total revenue	709,979	586,368

Other Income

- other income	22	-
Total other income	22	-

3 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

	2020	2019
	\$	\$
Current tax expense		
Current tax	-	-
Adjust recognised for current tax of prior periods	-	-
Deferred tax expense		
Relating to the origination and reversal of temporary differences	(6,702)	(31,114)
Income tax benefit for continuing operations	(6,702)	(31,114)

(b) Reconciliation of income tax to accounting profit:

	2020	2019
	\$	\$
Profit (loss) before tax	136,176	(25,106)
Prima facie tax at 30%	40,853	(7,532)
Tax effects of amounts which are not deductible / (taxable) in calculating taxable income		
- Other items	(47,555)	(23,582)
Income tax benefit	(6,702)	(31,114)

Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Dividends

Franking account

	2020	2019
	\$	\$
Balance of franking account at year end	18,881	18,881
Adjusted for franking credits arising from:		
Payment of provision for income tax	-	-
Franking credits available for subsequent financial years	18,881	18,881

The above available balance is based on the dividend franking account at year-end adjusted for:

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end; and
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

5 Tax

(a) Deferred Tax Assets

	Opening Balance	Charged to Income	Closing Balance
	\$	\$	\$
Deferred tax assets			
Provisions - employee benefits	45,735	8,993	54,728
Employee benefits	2,274	1,999	4,273
Intangibles	11,170	1,338	12,508
Other	22,216	(5,628)	16,588
Balance at 30 June 2020	81,395	6,702	88,097

(b) Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following:

	2020	2019
	\$	\$
Non refundable research and development offset	1,139,574	752,367

Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which the Company can utilise the benefits therein.

Notes to the Financial Statements

For the Year Ended 30 June 2020

6 Trade and Other Receivables

	2020	2019
	\$	\$
CURRENT		
Trade receivables	16,489	17,701
Other receivables	14,500	17,884
Total current trade and other receivables	30,989	35,585

7 Property, plant and equipment

	2020	2019
	\$	\$
Motor vehicles		
At cost	31,680	22,746
Accumulated depreciation	(18,890)	(17,291)
Total motor vehicles	12,790	5,455
Office equipment		
At cost	21,239	18,335
Accumulated depreciation	(12,326)	(9,411)
Total office equipment	8,913	8,924
Computer equipment		
At cost	110,355	124,590
Accumulated depreciation	(65,696)	(46,981)
Total computer equipment	44,659	77,609
Total property, plant and equipment	66,362	91,988

Notes to the Financial Statements

For the Year Ended 30 June 2020

7 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Motor Vehicles \$	Office Equipment \$	Computer Equipment \$	Total \$
Year ended 30 June 2020				
Balance at the beginning of year	5,455	8,924	77,609	91,988
Additions	8,934	2,904	-	11,838
Disposals	-	-	(14,230)	(14,230)
Depreciation expense	(1,599)	(2,915)	(18,720)	(23,234)
Balance at the end of the year	12,790	8,913	44,659	66,362

	Motor Vehicles \$	Office Equipment \$	Computer Software \$	Total \$
Year ended 30 June 2019				
Balance at the beginning of year	7,637	11,416	12,668	31,721
Additions	-	-	82,473	82,473
Disposals	-	-	-	-
Depreciation expense	(2,182)	(2,492)	(17,532)	(22,206)
Balance at the end of the year	5,455	8,924	77,609	91,988

Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Intangible Assets

	2020	2019
	\$	\$
Computer software WIP	3,786,097	2,725,308
Accumulated amortisation and impairment	-	-
Net carrying value	3,786,097	2,725,308
Total Intangibles	3,786,097	2,725,308

(a) Movements in carrying amounts of intangible assets

	Computer software WIP	Total
	\$	\$
Year ended 30 June 2020	2,725,308	2,725,308
Additions - internally generated WIP	1,060,789	1,060,789
Closing value at 30 June 2020	3,786,097	3,786,097

	Computer software WIP	Total
	\$	\$
Year ended 30 June 2019		
Balance at the beginning of the year	1,631,222	1,631,222
Additions - internally generated WIP	1,094,086	1,094,086
Closing value at 30 June 2019	2,725,308	2,725,308

Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Trade and Other Payables

	2020	2019
	\$	\$
Current		
Unsecured liabilities		
Trade payables	134,394	31,358
Sundry payables and accrued expenses	132,592	14,495
	<u>266,986</u>	<u>45,853</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

10 Provisions

	2020	2019
	\$	\$
CURRENT		
Annual leave	90,638	73,811
Long service leave	49,010	44,726
	<u>139,648</u>	<u>118,537</u>
NON-CURRENT		
Long service leave	42,780	33,914
	<u>42,780</u>	<u>33,914</u>

11 Unearned income

	2020	2019
	\$	\$
CURRENT		
Unearned income	9	9
	<u>9</u>	<u>9</u>

12 Borrowings

	2020	2019
	\$	\$
NON-CURRENT		
Borrowings	615,000	-
	<u>615,000</u>	<u>-</u>

Borrowings are advanced by a related party, Rainrose Pty Ltd, are unsecured and interest free. No repayment will be called upon in the next 12 months.

Notes to the Financial Statements

For the Year Ended 30 June 2020

13 Issued Capital

	2020	2019
	\$	\$
71,004,912 (2019: 71,004,912) Ordinary shares	3,009,391	3,009,391
	3,009,391	3,009,391

(a) Ordinary shares

	2020 No.	2019 No.	2020 \$	2019 \$
At the beginning of the reporting period	71,004,912	110,956,507	3,009,391	866,638
Employee share scheme	-	637,500	-	63,750
Share issued during the year	-	23,426,545	-	2,079,003
Shares consolidation 2 for 1	-	(64,015,640)	-	-
At the end of the reporting period	71,004,912	71,004,912	3,009,391	3,009,391

On 20 September 2018, SenterpriSys undertook a consolidation of its shares on a 2 for 1 basis.

Shares issued under the employee share scheme are based on the fair value of the equity instruments which approximates the share price at issue date.

(b) Capital Management

Capital of the Company is managed in order to safeguard the ability of the Company to continue as a going concern, so that the company can continue to develop its business and generate returns for shareholders.

The Company's capital comprises of shareholders equity and retained earnings.

There are no externally imposed capital requirements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2020	2019
	\$	\$
Profit for the year	142,878	6,008
Non-cash flows in profit:		
- depreciation	23,234	22,205
- employee share scheme expense	-	63,750
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	4,596	(29,911)
- (increase)/decrease in deferred tax asset	(6,702)	(31,114)
- increase/(decrease) in income in advance	-	(326,500)
- increase/(decrease) in trade and other payables	221,133	2,382
- increase/(decrease) in provisions	29,977	16,921
Cashflows from operations	415,116	(276,259)

15 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at **30 June 2020** (30 June 2019: None).

16 Interests in Subsidiaries

(a) Composition of the Company

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 2020	Percentage Owned (%) [*] 2019
Subsidiaries:			
RR&D Pty Ltd	Brisbane, Australia	100	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

This company is dormant for the year ended 30 June 2020 (2019: dormant).

Notes to the Financial Statements

For the Year Ended 30 June 2020

17 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Company's objectives, policies and processes for managing and measuring these risks. The Company does not speculate in financial assets.

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Borrowings

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Funding for short and long-term liquidity needs is additionally available through related parties.

Except for borrowings advanced by a related party, the Company's liabilities are current and are either expected to be settled with in normal trade terms (i.e., 30 days) or are at call liabilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company has concentration of credit risk with respect to related parties. The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Trade receivables are recorded with related parties.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Market risk

The company exposures to market risk is limited to cash on deposit with Australian banks. Cash is deposited in floating rate, at-call accounts, where the risk of changes in interest rates affecting future cash flows is not considered material.

Notes to the Financial Statements

For the Year Ended 30 June 2020

18 Related Parties

The Company's main related parties are as follows:

- Tamawood Limited and its controlled entities;
- Lev Mizikovsky (director) and Rainrose Pty Ltd;
- Michael Fennell (director);
- Rade Dudurovic (director);
- Laurie Lefcourt (director);
- Geoff Acton (company secretary) and G&S Quality Systems Pty Ltd;
- Advance NanoTek Limited;
- AstiVita Limited; and
- Winothai Pty Ltd.

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

(b) Transactions with related parties

(i) Sales of goods

	2020	2019
	\$	\$
Astivita Limited		
- Sales to Astivita for IT Services	37,446	30,288
Advance NanoTek Limited		
- Sales to Advance NanoTek for IT Services	54,403	24,288
Tamawood Limited		
- Sales to Tamawood Limited for IT Services	617,774	526,356
CyberGuardAU Pty Ltd		
- Sales to CyberGuardAU for IT Services	-	1,149

(ii) Purchase of goods and services

	2020	2019
	\$	\$
Tamawood Limited		
- Rental of premises & related occupancy costs	24,727	26,974
- Other administration costs	22,611	9,415
CyberGuardAU Pty Ltd		
- Other administration costs	22,785	85,071
Winothai Pty Ltd		
- Professional fees	6,100	7,325
G&S Quality Systems Pty Ltd		
- Professional fees	20,417	24,652

Notes to the Financial Statements

For the Year Ended 30 June 2020

(iii) Outstanding balances

	2020 \$	2019 \$
Astivita limited		
- Amounts receivable	143	13,654
Tamawood Limited		
- Amounts payable	47,167	852
Advance NanoTek Limited		
- Amounts receivable	42,535	21,037
- Amounts payable	7,186	-
CyberGuardAU Pty Ltd		
- Amounts payable	5,425	6,441

19 Key Management Personnel Remuneration

The total of remuneration paid to the key management personnel of SenterpriSys during the year are as follows:

	2020 \$	2019 \$
Short-term employee benefits	226,458	201,373
Post-employment benefits	14,798	17,531
Share-based payments	-	5,000
	241,256	223,904

20 Auditors' Remuneration

	2020 \$	2019 \$
Remuneration of the auditor [William Buck Audit (VIC) Pty Ltd], for:		
- auditing the financial statements	15,000	15,000
	15,000	15,000

Notes to the Financial Statements

For the Year Ended 30 June 2020

21 Events Occurring After the Reporting Date

Subsequent to 30 June 2020, Tamawood Limited has announced that it will distribute 9,210,030 shares in SenterpriSys to existing Tamawood Limited shareholders, reducing its shareholding in the Company to 10.16%.

22 Company Details

The registered office and principle place of business of the company is:

SenterpriSys Limited

15 Suscatand Street

Rocklea, QLD 4106

23 Earnings per Share

(a) Earnings used to calculate overall earnings per share

	2020	2019
	\$	\$
Profit attributable to members of parent entity used in calculation of basic and diluted EPS	142,878	6,008

(b) Weighted average number of shares used

	2020	2019
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	71,004,912	66,047,498

Directors' Declaration

30 June 2020

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and:
 - a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Managing Director has given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Lev Mizikovsky

Non-executive Chairman

Dated: 10 September 2020

SenterpriSys Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SenterpriSys Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We 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.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Company's tangible liabilities exceeded its tangible assets by \$901,473. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

RELATED PARTY TRANSACTIONS	
Area of focus Refer also to Remuneration report on page 5 to 9 and Notes 1 (c) and Note 18	How our audit addressed it
<p>The Company conducted material related party transactions with entities where key management personnel have interests and/or are directors. As such, there is a risk that not all related party transactions are disclosed in the financial report or that related party transactions have been made on non-arm's length basis. This could result in insufficient information being provided in order to enable the reader to understand the nature and effect of the various related party relationships and transactions.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Assessment of the Company's controls to identify and disclose related party transactions and transactions in accordance with the relevant accounting standards and the <i>Corporations Act 2001</i>; — Comparing the list of related parties provided by the directors with internal sources; — Conducting an ASIC search for external directorships held by the Board members to evaluate whether all related party relationships and transactions had been appropriately identified and disclosed; and — Assessing whether related party transactions were conducted at arms-length by comparing the basis of the transactions to external sources. <p>For each class of related party transaction, we compared the financial statement disclosures against the underlying transactions and the accounting and <i>Corporations Act 2001</i> requirements</p>

CARRYING VALUE OF INTANGIBLES	
Area of focus Note 1(h), note 1(t) and Note 8	How our audit addressed it
<p>The company continued to invest in the software development of its small enterprise management systems for the housing industry and subcontractors and capitalised \$1,060,789 for the year ended 30 June 2020.</p> <p>Valuation, capitalisation and impairment testing of the capitalised software development costs required critical estimations and judgements of those charged with governance to accurately account for the intangible assets of the company.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Reviewing internal management documentation and accounting policy in respect of development costs; and — Assessing whether intangible assets were eligible for capitalisation by examining and re-calculating the remuneration of employees conducting work on their software development as well as the nature of the asset and assessing the extent of impairment of intangible assets. <p>We also assessed the adequacy of the Company's financial statement disclosures.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2020 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 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 Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of SenterpriSys Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



J. C. Luckins

Director

Melbourne, 10th September 2020

SenterpriSys Limited

ABN 14 146 845 123

Shareholder Information

For the Year Ended 30 June 2020

NSX Additional Information

Additional information required by the National Stock Exchange of Australia Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 2 September 2020.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Voting rights

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.

Options

No voting rights.

Distribution of equity security holders

Holding	Ordinary shares	
	No. of holders	No. of shares
1 - 1,000	1,952	488,995
1,001 - 5,000	896	2,224,605
5,001 - 10,000	166	1,175,820
10,001 - 100,000	145	3,554,881
100,001 and over	48	63,560,611
	<u>3,207</u>	<u>71,004,912</u>

Corporate Governance Statement

30 June 2020

The objective of the Board of SenterpriSys is to create and deliver long term shareholder value through a range of diversified but interrelated activities around software development.

The company's charters, committees and corporate governance principles are on our website www.senterprisys.com

SenterpriSys Limited

ABN 14 146 845 123

Shareholder Information

For the Year Ended 30 June 2020

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Twenty largest shareholders

	Number held	% of issued shares
POLTICK PTY LTD	25,005,593	35.22
SKYLEVI PTY LTD	8,183,344	11.53
TAMAWOOD LIMITED	7,214,740	10.16
RAINROSE PTY LTD	5,758,626	8.11
NOWCASTLE PTY LTD	2,872,108	4.04
ANKLA PTY LTD	2,243,042	3.16
MR MICHAEL WILLIAM FENNELL + MRS TANIA MAREE FENNELL <FENNELL FAMILY A/C>	1,550,001	2.18
MIZI SUPERANNUATION PTY LTD <MIZI SUPER FUND A/C>	1,125,050	1.58
ANDREW THOMAS	789,453	1.11
IAN HENDERSON	702,187	0.99
RIPELAND PTY LTD	551,940	0.78
IAN HENDERSON + MARIAN ELIZABETH HENDERSON <THE SCOTSTOUN SUPERFUND A/C>	547,813	0.77
MUTUAL TRUST PTY LTD	525,819	0.74
M & T FENNELL SUPER FUND PTY LTD <THE M & T SUPER FUND A/C>	500,000	0.70
MR TIMOTHY MARK BARTHOLOMAEUS	468,125	0.66
ROBERT PATRICK LYNCH	468,125	0.66
MR RADE DUDUROVIC + MRS JACQUELINE JEANETTE DUDUROVIC <R&J SUPERANNUATION FUND A/C>	350,840	0.49
MR ROBERT LYNCH + MRS SINEAD LYNCH <R & S LYNCH S/F A/C>	350,000	0.49
PASSLOW SUPER PTY LTD <PASSLOW SUPER FUND A/C>	257,500	0.36
MR TIMOTHY MARK BARTHOLOMAEUS + MS PATRESE CAROLINE BARTHOLOMAEUS <BART INC FAMILY A/C>	250,000	0.35
	59,714,306	84.10

Securities exchange

The Company is listed on the National Stock Exchange of Australia ("NSX") (NSX code: SPS).

Share registry

The register of security holders of the Company is kept at the office of Computershare Investor Services Pty Limited.

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