Techniche

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ABN 83 010 506 162

28 August 2014

Australian Securities Exchange

Techniche Limited ABN 83 010 506 162 - ASX Code TCN
Appendix 4E – Preliminary Consolidated Final Report
for the Year Ended 30 June 2014

Please find attached Appendix 4E.

The Company is pleased to announce an after tax profit of $2,470,544 for the year ended 30 June 2014 [2013: $1,081,185]. The profit after tax and excluding unrealised foreign exchange gains was $1,978,461 [2013: $840,769]

The cash held at the end of the financial year increased by $16,532, from $3,669,775 to $3,686,307.

Net tangible assets increased by 56.3% during the 2014 financial year from $3,375,610 to $5,275,448. Also during the year a dividend of $223,592 was paid to shareholders.

The Company is pleased to announce it intends to pay a dividend of 0.22 cents per share on 30 September 2014. This dividend will be unfranked and the record date for determining entitlements to the dividend is 10 September 2014. The conduit foreign income component of the dividend is nil.

Yours faithfully,
TECHNICHE LIMITED

Karl P. Jacoby
Chairman

Techniche Limited and its Controlled Entities

ABN 83 010 506 162

Appendix 4E
Preliminary Consolidated Final Report
For the Year ended 30 June 2014
(previous corresponding period: Year ended 30 June 2013)

Results for Announcement to the Market

Key Information	2014 $	2013 $	Change	Change %
Revenue from ordinary activities	9,034,074	6,584,258	2,449,816	37.2%
Profit after tax from ordinary activities attributable to members	2,470,544	1,081,185	1,389,359	128.5%
Net profit attributable to members	2,470,544	1,081,185	1,389,359	128.5%

Dividends (distributions)	Amount per security	Franked amount per security
2013 final dividend – paid 28th February 2014	0.10	nil
On the 27th August the Company has declared a dividend of 0.22 cents per share. This dividend will be unfranked and payable on 30 September 2014. The record date for determining the entitlements to this dividend is 10 September 2014. The conduit foreign income component of the dividend is nil.		

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

The net profit for 2014 is $2,470,544 (2013: $1,081,185). The 2014 year profit includes an unrealised gain from currency movements on loans between group entities of $492,082. The net profit after excluding these unrealised currency gains is $1,978,461 [2013: $840,769].

The short term provisions as shown on the Statement of Financial Position have increased to $646,128 [2013: $152,632]. The 2014 balance includes provision for staff bonuses and commissions which reflect the improved performance during the 2014 financial year.

Earnings per ordinary fully paid share (EPS)	Current Period	Previous Corresponding Period
From continuing and discontinued operations		
Basic EPS	1.10 cents	0.48 cents
Diluted EPS	1.10 cents	0.48 cents
From continuing operations		
Basic EPS	1.10 cents	0.43 cents
Diluted EPS	1.10 cents	0.43 cents
From discontinued operations		
Basic EPS	-	0.05 cents
Diluted EPS	-	0.05 cents

NTA backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	2.36 cents	1.51 cents

Investment in Associates and Joint Ventures

Material investments in joint venture are as follows:	2014 $	2013 $
Network Monitoring Holdings Pty Ltd	1,313,759	nil
The consolidated entity has recognised an aggregated share of net profit from joint venture listed above amounting to $113,759 for the year ended 30 June 2014 (for the year ended 30 June 2013: $Nil).		

Other significant information needed by an investor to make an informed assessment of the consolidated entity's financial performance and financial position:
Nil other than notes to Preliminary Consolidated Financial Report.

Commentary on the Results for the Period:

Significant features of operating performance:

Refer to the notes accompanying the Preliminary Consolidated Financial Report and brief explanation in the Results for Announcement to the Market as well as recent announcements by the Company.

The improvement in performance is a direct result of:

- A continued improved performance in the Urgent Group of Companies with the majority of the increased revenue in Urgent attributed to the rebuild of the eMaintenance product.
- An increased profit contribution from ERST GmbH
- A share of net profit, management fees and interest payments from the Company's investment in Statseeker.

As always, the business remains exposed to currency movements as the business units operate in overseas jurisdictions.

The results of segments that are significant to an understanding of the business as a whole:

Refer to Note 10 in the attached preliminary financial report and comments above.

Discussion of trends in performance:

Refer to operating results and comments above.

Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

Nil to report other than above.

Audit/Review Status

This report is based on accounts to which one of the following applies:
(Tick one)

The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

The accounts are in the process of being audited and there are no likely disputes or qualifications.

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Preliminary Consolidated Financial Report for the year ended 30 June 2014

Karl Phillip Jacoby
Chairman
27 August 2014

Attachment # 1 to Preliminary Consolidated Final Report (Appendix 4E)
Preliminary Consolidated Financial Report
for the Year Ended 30 June 2014

Techniche Limited

and its Controlled Entities
ABN 83 010 506 162

Note:

The Preliminary Consolidated Financial Report does not include all the notes of the type normally included in an Annual Consolidated Financial Report. Accordingly it is recommended that this Preliminary Consolidated Financial Report is read in conjunction with the Annual Consolidated Financial Report for Techniche Limited for the Financial Year ended 30 June 2013, the December 2013 Half Year Report and any public announcements made by Techniche Limited and its controlled entities during the year ended 30 June 2014 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

Karl Phillip Jacoby
Chairman
27 August 2014

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2014
Techniche Limited and Controlled Entities

	Notes	2014	2013
		$	**$**
Revenue from continuing operations			
Provision of IT services		**8,876,653**	6,560,371
Other Revenue	**3**	**157,421**	23,887
		9,034,074	6,584,258
Other income – unrealized foreign exchange gain / (loss)		**492,082**	240,416
Expenses			
Auditor remuneration		**(120,688)**	(79,757)
Acquisition costs		**(78,964)**	-
Consulting fees		**(138,711)**	(174,745)
Infrastructure costs		**(357,345)**	(281,439)
Depreciation expense		**(24,986)**	(36,065)
Directors remuneration		**(231,504)**	(243,100)
Employee benefits expense		**(4,644,300)**	(3,816,266)
Realised foreign exchange losses		**(45,007)**	-
Insurance		**(62,662)**	(69,002)
Motor vehicle and travel expenses		**(279,613)**	(269,984)
Other expenses		**(163,366)**	(88,678)
Premises expenses		**(386,906)**	(351,879)
Share registry and listing fees		**(54,038)**	(38,333)
Share of net profit of joint venture accounted for using the equity method		**113,759**	-
Profit before income tax		**3,051,825**	1,375,426
Income tax expense		**(581,281)**	(422,976)
Profit from continuing operations		**2,470,544**	952,450
Profit / (loss) from discontinued operations		**-**	128,735
Profit for the year attributable to the members of the parent entity		**2,470,544**	1,081,185
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**128,450**	718,798
Income tax relating to components of other comprehensive income		**-**	-
Other comprehensive income for the year		**128,450**	718,798
Total comprehensive income attributable to members of the parent entity		**2,598,994**	**1,799,983**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
as at 30 June 2014
Techniche Limited and Controlled Entities

	Notes	2014 $	2013 $
ASSETS			
Current assets			
Cash and cash equivalents		**3,686,307**	3,669,775
Trade and other receivables		**1,240,144**	944,624
Other current assets		**146,146**	150,794
Total current assets		**5,072,597**	4,765,193
Non-current assets			
Investments in Joint Ventures	**7**	**1,313,759**	-
Loan to associated entities	**8**	**1,050,000**	-
Property, plant and equipment		**66,328**	52,679
Intangible assets	**9**	**8,446,727**	7,971,163
Total non-current assets		**10,876,814**	8,023,842
Total assets		**15,949,411**	12,789,035
LIABILITIES			
Current liabilities			
Trade and other payables		**79,067**	573,377
Unearned income		**874,077**	497,072
Current tax liabilities		**627,963**	219,180
Short term provisions		**646,128**	152,632
Total current liabilities		**2,227,235**	1,442,262
Non-current liabilities			
Total non-current liabilities		**-**	-
Total liabilities		**2,227,235**	1,442,262
NET ASSETS		**13,722,175**	11,346,773
Equity			
Issued capital		**70,338,778**	70,338,778
Reserves		**(1,266,388)**	(1,394,838)
Accumulated losses		**(55,350,215)**	(57,597,167)
TOTAL EQUITY		**13,722,175**	11,346,773

The accompanying notes form part of these financial statements.

Consolidated Statements of Changes in Equity
for the year ended 30 June 2014
Techniche Limited and Controlled Entities

	Ordinary shares $	Retained earnings $	Option reserve $	FX translation reserve $	Total $
Balance at 30 June 2012	70,338,778	(58,680,880)	2,528	(2,113,636)	9,546,790
Profit attributable to members of the parent entity	-	1,081,185	-	-	1,081,185
Shares issued during the period	-	-	-	-	-
Share issue costs	-	-	-	-	-
Total other comprehensive income	-	-	-	718,798	718,798
Options expired during the period	-	2,528	(2,528)	-	-
Sub total	70,338,778	1,083,713	(2,528)	718,798	1,799,983
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2013	**70,338,778**	**(57,597,167)**	**-**	**(1,394,838)**	**11,346,773**
Profit attributable to members of the parent entity	-	2,470,544	-	-	2,470,544
Total other comprehensive income	-	-	-	128,450	128,450
Options issued during the period	-	-	-	-	-
Sub total		2,470,544	-	128,450	2,598,994
Dividends paid or provided for	-	(223,592)	-	-	(223,592)
Balance at 30 June 2014	**70,338,778**	**(55,350,215)**	**-**	**(1,266,388)**	**13,722,175**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2014
Techniche Limited and Controlled Entities

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		**9,053,127**	7,201,801
Payments to suppliers and employees		**(6,576,443)**	(5,732,352)
Interest received		**-**	2,438
Income tax refund / (paid)		**(142,894)**	(332,318)
Net cash provided by (used in) operating activities		**2,333,790**	1,139,569
Cash flows from investing activities			
Proceeds from the sale of controlled entity		**-**	128,735
Purchase of plant and equipment		**(38,635)**	(10,722)
Payment for subsidiaries net of cash acquired		**-**	-
Purchase of shares in joint venture		**(1,200,000)**	-
Payment of related party loans		**(1,000,000)**	-
Net cash provided by (used in) investing activities		**(2,238,635)**	118,013
Cash flows from financing activities			
Proceeds from issue of shares		**-**	-
Dividends paid		**(223,592)**	-
Net cash provided by (used in) financing activities		**(223,592)**	-
Net increase (decrease) in cash held		**(128,437)**	1,257,582
Effects of functional currency exchange rate changes		**144,969**	(16,855)
Cash at the beginning of the year		**3,669,775**	2,429,048
Cash at the end of the year		**3,686,307**	3,669,775

The accompanying notes form part of these financial statements.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 1. Statement of significant accounting policies

Statement of Compliance

The preliminary consolidated financial report has been prepared in accordance with ASX Listing Rule 4.3A, the disclosure requirements of ASX Appendix 4E, Australian Accounting Standards and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The preliminary consolidated financial report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for Techniche Limited for the financial year ended 30 June 2013, the December 2013 half-year report and any public announcements made by Techniche Limited and its controlled entities during the year ended 30 June 2014 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

The preliminary consolidated financial report was authorised for issue by the Directors on 27 August 2014.

Basis of preparation

The preliminary financial report has been prepared on an accruals and going concern basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian dollars, unless otherwise noted.

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the Company’s 2013 annual financial report for the year ended 30 June 2013, other than detailed below. Where appropriate, comparative information is reclassified to enhance comparability.

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Techniche Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 1. Statement of significant accounting policies (continued)

Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint ventures with an interest to net assets are classified as a “joint venture” and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group’s interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties’ interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

Details of the Group’s interests in joint arrangements are provided in Note 7.

Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant’s ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity’s own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 1. Statement of significant accounting policies (continued)

Fair Value of Assets and Liabilities (continued)

Valuation techniques
In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy
AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 1. Statement of significant accounting policies (continued)

Adoption of new and revised Accounting Standards

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

AASB 10 provides a revised definition of “control” and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.
The application of these Accounting Standards did not have any significant impact on the Group’s financial statements and comparative financial information.

New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

– AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

– Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

– AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

– AASB 2013–4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

– AASB 2013–5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

The application of the above new accounting standards applicable in future periods is not expected to significantly impact the Group’s financial statements.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 2. Subsequent Events

Mr Robert Shaw retired as a director with effect from 27th August 2014. Mr Andrew Campbell was appointed as a director with effect from 27th August 2014.

Other than the above there are no matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial periods.

Note 3. Profit from operations

The following discloses the nature of income or expense items where it has not been disclosed in the statement of comprehensive income:

	CONSOLIDATED ENTITY	
	2014 $	2013 $
	$	$
Other revenue		
management fee received from associate	**100,000**	**-**
interest received from associate	**50,000**	**-**
interest received from other persons	**2,344**	**2,438**
other revenue	**5,077**	**21,449**
	157,421	**23,887**

Note 4. Earnings per share

		2014	2013
a.	**Reconciliation of earnings to profit or loss**		
	Earnings used to calculate basic earnings per share	**2,470,544**	1,081,185
	Earnings used to calculate diluted earnings per share	**2,470,544**	1,081,185
b.	**Weighted average number of ordinary shares**		
	Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	**223,592,656**	223,592,656
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	**223,592,656**	223,592,656
Basic earnings per share (cents per share)		**1.10 cents**	0.48 cents
Diluted earnings per share (cents per share)		**1.10 cents**	0.48 cents
Earnings per share from continuing operations – Basic/Diluted		**1.10 cents**	0.43 cents
Earnings per share from discontinued operations – Basic/Diluted		**0.00 cents**	0.05 cents
c.	**Net tangible assets per share**		
	Net amount	**5,275,448**	3,375,610
	Per share (cents)	**2.36**	1.51

Note 5. Contingent liabilities and contingent assets

There are no other contingent liabilities or contingent assets at the date of this preliminary financial report.

Note 6. Foreign Entities

The financial information for the wholly owned subsidiaries, ERST GmbH, Urgent Technology Ltd and Urgent Technology USA LLC, domiciled in Germany, the United Kingdom and the United States of America respectively, have been prepared in accordance with International Financial Reporting Standards.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 7. Investment in Joint Venture

a. Information about investment in Joint Venture

On 29 July 2013, the Company entered into a joint arrangement agreement with NBC Capital Pty Ltd ('NBC') whereby they have incorporated a new entity named Network Monitoring Holdings Pty Ltd (NMH) at the same date. The nature of the joint arrangement was classified as joint venture under the AASB 11 'Joint Arrangements'. The purpose of the incorporation of NMH was to acquire Statseeker Holdings Pty Ltd and controlled entities. On 2 September 2013, NMH acquired 100% of interest in the Statseeker Holdings Pty Ltd and controlled entities ('Statseeker') with a consideration of $6.75 million which were funded by a debt facility of $2.5 million from Bankwest, $1.2 million of contributed equity by each venturer and $1 million of subordinated debt by each venturer. Statseeker designs, develops, markets, distributes and supports a network infrastructure monitoring software tool to blue chip enterprises around the world.

Set out below is the joint arrangement of the Company as at 30 June 2014, which in the opinion of the directors are material to the Group:

Name of Associate	Classification of Joint Arrangement	Place of Business/ Country of Incorporation	Proportion of Ownership Interest/ Participating Share		Measurement at Equity Method or Fair Value
			As at 30 June 2014	As at 30 June 2013	
Network Monitoring Holdings Pty Ltd	Joint Venture	Australia	50%	Nil	Equity method

Network Monitoring Holdings Pty Ltd and its' controlled entities (Network Monitoring Investments Pty Ltd, Statseeker Holdings Pty Ltd and Statseeker Pty Ltd), are proprietary limited companies and there is no quoted market price available for their ordinary shares.

b. Summarised financial information of Joint Venture

Set out below is the summarised financial information which represents 50% interest in Network Monitoring Holdings Pty Ltd and its Controlled Entities that is material to the Group:

	30 June 2014	30 June 2013
Ownership Interest %	50%	Nil
Revenue	2,227,025	Nil
Profit	113,759	Nil
Total assets	4,951,804	Nil
Total liabilities	3,638,045	Nil

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 7. Investment in Associates (continued)

	30 June 2014 $	30 June 2013 $
c. Carrying amount of investment in Joint Venture		
The following is a reconciliation of the above summarised financial information to the carrying amounts of the Company's interests in investments accounted for using the equity method:		
Investment in Joint Venture - at the beginning of the financial period	-	-
Initial contribution to the Joint Venture at 29 July 2013	2	-
Additional contribution to the Joint Venture at 2 September 2013	1,199,998	-
Share of Joint Venture net profit after income tax	113,759	-
Investment in Joint Venture - at the end of the financial period	1,313,759	-

Note 8. Related Party Transactions

During the half year, the Group has conducted the following new related party transactions:

- As disclosed in note 7a, the Company together with NBC have incorporated a new joint venture entity named Network Monitoring Holdings Pty Ltd (NMH) to acquire 100% interest in Statseeker. On 2 September 2013, the Company has provided a subordinated loan of $1 million to NMH to fund the acquisition of Statseeker. The loan is an unsecured interest bearing loan with interest rate at BBSY + 2% or 6% whichever is higher and to be accrued and calculated on a monthly basis. The loan and the interest portion will be repayable after the Bankwest loan has been fully repaid by NMH but no later than 2 September 2018. At 30 June 2014, the loan balance including the interest portion totalling to $1,050,000 was recorded as part of the non-current assets in the Statement of Financial Position.

- The group has entered into a management fees agreement with NMH at a rate of 10% per year from the contributed investment in the company. As at 30 June 2014, accrued management fees were $100,000.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 9. Intangibles

	30 June 2014 $	30 June 2013 $
Goodwill		
Carrying value	**3,022,752**	3,030,452
	3,022,752	3,030,452
Intellectual property rights		
Carrying value	**5,423,975**	4,940,711
	5,423,975	4,940,711
Total Intangible assets	**8,446,727**	7,971,163

Movement in carrying values

Movement in the carrying amounts of each class of intangible asset between the beginning and end of the financial period

	30 June 2014 $	30 June 2013 $
Goodwill		
Opening Balance	**3,030,452**	2,640,626
Foreign currency revaluation	**(7,700)**	389,826
Closing balance	**3,022,752**	3,030,452
Intellectual property rights		
Opening Balance	**4,940,711**	4,594,885
Foreign currency revaluation	**483,264**	345,826
Closing balance	**5,423,975**	4,940,711

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2014

Note 10. Operating segments

	TCN Corporate		Urgent Group		ERST GmbH		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$	$	$	$	$
Provision of IT services	**-**	-	**5,260,839**	3,481,039	**3,615,814**	3,079,332	**-**	250,270	**8,876,653**	6,810,641
Intra-segment sales	**-**	-	**611,267**	606,722	**-**	-	**-**	-	**611,267**	606,722
Inter-segment sales	**1,039,403**	856,167	**-**	21,664	**-**	-	**-**	-	**1,039,403**	877,831
Segment sales revenue	**1,039,403**	856,167	**5,872,106**	4,109,425	**3,615,814**	3,079,332	**-**	250,270	**10,527,323**	8,295,194
Other revenue	**154,968**	14,272	**575**	544	**131,809**	66,524	**-**	-	**287,352**	81,340
Total segment revenue before elimination	**1,194,371**	870,439	**5,872,681**	4,109,969	**3,747,623**	3,145,856	**-**	250,270	**10,814,675**	8,376,534
Reconciliation of segment revenue to group revenue:										
Elimination entries for revenue on consolidation									**(1,780,601)**	(1,542,006)
Revenue from discontinued operations									**-**	(250,270)
Total revenue									**9,034,074**	6,584,258
Profit/(loss) with inter-segment charges	**729,160**	68,187	**848,676**	48,424	**1,354,585**	1,203,156	**-**	128,735	**2,932,421**	1,448,502
Equity accounted profits of joint ventures	**113,759**	-	**-**	-	**-**	-	**-**	-	**113,759**	-
Income tax expense	**(20,066)**	-	**(123,757)**	(21,225)	**(437,457)**	(401,750)	**-**	-	**(581,280)**	(422,975)
Segment result after tax	**822,853**	68,187	**724,919**	27,199	**917,128**	801,406	**-**	128,735	**2,464,900**	1,025,527
Intra-group charges									**5,644**	55,658
Total contribution after tax									**2,470,544**	1,081,185
Segment assets	**18,431,526**	15,850,346	**8,533,359**	7,411,451	**6,127,593**	4,238,609			**33,092,478**	27,500,406
Inter-segment elimination	**(7,073,835)**	(7,604,935)	**(5,870,461)**	(5,737,760)	**(4,198,771)**	(1,368,675)			**(17,143,067)**	(14,711,370)
Total consolidated assets	**11,357,691**	8,245,411	**2,662,898**	1,673,691	**1,928,822**	2,869,934			**15,949,411**	12,789,036
Segment liabilities	**12,370,007**	3,017,226	**1,655,201**	7,198,487	**641,243**	1,148,026			**14,666,451**	11,363,739
Inter-segment elimination	**(10,402,963)**	(2,947,349)	**(1,547,126)**	(6,233,982)	**(489,126)**	(740,145)			**(12,439,215)**	(9,921,476)
Total consolidated liabilities	**1,967,044**	69,877	**108,075**	964,505	**152,117**	407,881			**2,227,236**	1,442,263
Depreciation and amortisation expense	**1,169**	2,063	**13,668**	20,917	**10,149**	13,085			**24,986**	36,065
Acquisition of property, plant and equipment	**-**	1,722	**28,932**	9,000	**14,926**	-			**43,858**	10,722