Techniche Limited and its Controlled Entities

ABN 83 010 506 162

Appendix 4E
Preliminary Consolidated Final Report
For the Year ended 30 June 2019
(previous corresponding period: Year ended 30 June 2018)

Results for Announcement to the Market

Key Information	2019 $	2018 Restated $	Change $	Change %
Revenue from ordinary activities				
Wholly owned continuing subsidiaries:				
Urgent Technology	4,915,808	4,240,931	674,877	15.9 %
Statseeker	4,887,915	2,176,208	2,711,707	124.6 %
Joint venture - Statseeker	-	(94,102)	94,102	100.0 %
Total Revenue from continuing operations	**9,803,723**	**6,323,037**	3,480,686	55.0 %
Discontinued operations	-	754,503	(754,503)	(100.0)%
Interest income	19,363	17,825	1,568	8.8 %
Total Group revenue	**9,823,086**	**7,095,365**	2,727,721	38.4 %
Profit / (loss) after tax from:				
Continuing operations	(1,250,398)	(1,958,263)	707,855	36.1 %
Discontinued operations	-	297,993	(297,993)	(100.0)%
Loss on disposal of discontinued operations	-	(1,836,025)	1,836,025	100.0 %
Subtotal – total discontinued operations	-	(1,538,032)	1,538,022	100.0 %
Profit /(loss) after tax from continuing and discontinued operations	**(1,250,398)**	**(3,496,295)**	**2,245,887**	**64.2 %**
Net profit / (loss) attributable to members	**(1,250,398)**	**(3,496,295)**	**2,245,887**	**64.2 %**

Commentary on the results for the period:

The company recorded a loss after tax attributable to members from continuing operations of ($1,250,398) [2018: ($3,496,285)] for the year ended 30 June 2019. The Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA) was a loss of ($774,906) from continuing operations [2018: ($1,889,800)]. Continuing operations have excluded results from ERST which was disposed of during the comparative year to 30 June 2018.

Revenue increased by 55%, however this was primarily due to the Company taking control of Statseeker from 30 January 2018 and only consolidating for the part-year to 30 June 2018. For comparative purposes the full year on year growth in total revenue was 2%. On a similar basis full year on year comparative Group Annual Recurring Revenues increased by 4%.

The loss after tax was impacted by the decision to form a consolidated tax group in Australia. While this will have long term benefits, in the short term it has resulted in the carrying value of Deferred Tax Assets being written off.

For further details, refer to market release, the Preliminary Consolidated Final Report and accompanying notes.

Dividends (distributions)	Amount per security	Franked amount per security
No final dividend has been declared		
Dividend Reinvestment Plans		
The Group does not have any dividend reinvestment plans in operation.		

NTA backing	Current Period	Previous Corresponding Period Restated
Net tangible asset backing per ordinary security	(0.61) cents	(0.04) cents

Commentary on the Results for the Period:

Significant features of operating performance: Refer to the notes accompanying the Preliminary Consolidated Financial Report.
The results of segments that are significant to an understanding of the business as a whole: Refer to Note 11 in the attached Preliminary Consolidated 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 2019

Karl Phillip Jacoby
Chairman
29 August 2019

Attachment # 1 to Preliminary Consolidated Final Report (Appendix 4E)
Preliminary Consolidated Financial Report
for the Year Ended 30 June 2019

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 2018, the December 2018 Half Year Report and any public announcements made by Techniche Limited and its controlled entities during the year ended 30 June 2019 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

Karl Phillip Jacoby
Chairman
29 August 2019

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2019
Techniche Limited and Controlled Entities

	Note	**2019**	2018 Restated[2]
		$	$
Revenue from ordinary activities			
Revenue from wholly owned subsidiaries	**2**	**9,803,723**	6,417,139
Return from joint ventures	**2**	**-**	(94,102)
		9,803,723	6,323,037
Unrealized foreign exchange gain / (loss)		**44,654**	(133,024)
Gain on step acquisition		**-**	545,584
Other income		**19,363**	17,825
Expenses			
Auditor remuneration		**(109,259)**	(90,739)
Consulting fees		**(773,148)**	(651,828)
Infrastructure costs		**(871,649)**	(387,549)
Depreciation & amortisation expense		**(313,321)**	(392,049)
Directors remuneration		**(235,370)**	(149,178)
Employee benefits expense		**(6,296,013)**	(4,168,914)
Insurance		**(129,613)**	(97,894)
Travel expenses		**(361,488)**	(183,369)
Premises expenses		**(446,695)**	(354,936)
Sales & Marketing		**(917,607)**	(741,571)
Share registry and listing fees		**(50,644)**	(64,434)
Restructure costs		**-**	(336,713)
Impairment		**-**	(1,157,648)
Other expenses		**(451,161)**	(258,449)
Profit / (Loss) before income tax		**(1,088,227)**	(2,281,849)
Income tax (expense) / benefit		**(162,171)**	323,586
Loss from Continuing Operations		**(1,250,398)**	(1,958,263)
Profit / (Loss) from Discontinued Operations	**4**	**-**	(1,538,032)
Profit / (loss) for the year attributable to the members of the parent entity		**(1,250,398)**	(3,496,295)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(24,029)**	1,838,688
Other comprehensive income for the year		**(24,029)**	1,838,688
Total comprehensive income / (loss) attributable to members of the parent entity		**(1,274,427)**	(1,657,607)
Earnings per share from continuing & discontinued operations		**Cents**	Cents
Basic & diluted earnings (cents per share)	**3**	**(0.58)**	(1.57)
Earnings per share from continuing operations			
Basic & diluted earnings (cents per share)	**3**	**(0.58)**	(0.88)

1. *Reclassified and remeasured amounts due to introduction of AASB15 – see note 8 for explanations*
2. *Reclassified and remeasured amounts due to restatements from errors in prior year – see note 9 for explanations*

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
as at 30 June 2019
Techniche Limited and Controlled Entities

	Note	**2019 30 June $**	2018 30 June[1,2] Restated[2] $	2017 1 July Restated[1,2] $
ASSETS				
Current assets				
Cash and cash equivalents		**2,355,523**	3,115,672	4,131,886
Trade and other receivables		**2,025,212**	2,139,825	670,633
Loan to associated entities		**-**	-	75,000
Assets classified as held for sale		**-**	-	4,370,655
Other current assets		**246,114**	249,553	65,397
Total current assets		**4,626,849**	5,505,050	9,313,571
Non-current assets				
Investments in joint ventures		**-**	-	1,912,268
Loan and other receivables from associated entities		**-**	-	1,250,000
Property, plant and equipment		**150,294**	146,284	110,054
Deferred tax asset[2]		**-**	284,600	-
Intangible assets	**7**	**12,467,503**	12,633,843	5,073,567
Total non-current assets		**12,617,797**	13,064,727	8,345,889
Total assets		**17,244,646**	18,569,777	17,659,460
LIABILITIES				
Current liabilities				
Trade and other payables		**549,197**	728,485	269,636
Unearned income[1]		**5,218,978**	4,222,171	1,237,457
Current tax liabilities		**(6,261)**	5,659	1,102
Short term provisions		**267,793**	748,652	124,667
Liabilities classified as held for sale		**-**	-	407,460
Total current liabilities		**6,029,707**	5,704,967	2,040,322
Non-current liabilities				
Long term provisions		**33,372**	36,315	-
Total non-current liabilities		**33,372**	36,315	-
Total liabilities		**6,063,079**	5,741,282	2,040,322
NET ASSETS		**11,181,567**	12,828,495	15,619,138
Equity				
Issued capital		**69,838,778**	70,211,280	70,338,778
Reserves[2]		**449,673**	473,701	(1,364,987)
Accumulated losses[1,2]		**(59,106,884)**	(57,856,486)	(53,354,653)
TOTAL EQUITY		**11,181,567**	12,828,495	15,619,138

1. *Reclassified and remeasured amounts due to introduction of AASB15 – see note 8 for explanations*
2. *Reclassified and remeasured amounts due to restatements from errors in prior year – see note 9 for explanations*

The accompanying notes form part of these financial statements.

Consolidated Statements of Changes in Equity
for the year ended 30 June 2019
Techniche Limited and Controlled Entities

	Ordinary shares $	Retained earnings[1,2] $	FX translation reserve[2] $	Total $
Balance at 30 June 2017 (previously reported)	70,338,778	(52,959,326)	(1,364,987)	16,014,465
Cumulative adjustment upon change in accounting policy (AASB 15)[1]	-	(395,327)	-	(395,327)
Balance at 1 July 2017 (restated)	**70,338,778**	**(53,354,653)**	**(1,364,987)**	**15,619,138**
Loss attributable to members of the parent entity	-	(1,723,822)	-	(1,723,822)
Total other comprehensive income	-	-	604,886	604,886
Sub total	-	(1,723,822)	604,886	(1,118,936)
Share capital reduction	(127,498)	-	-	(127,498)
Dividends paid or provided for	-	(782,573)	-	(782,573)
Balance at 30 June 2018 (restated)	**70,211,280**	**(55,861,048)**	**(760,101)**	**13,590,131**
Cumulative adjustment upon change in accounting policy (AASB 15)[1]	-	(222,964)	-	(222,964)
Prior period error restatement[2]	-	(1,772,474)	1,233,802	(538,672)
Balance at 1 July 2018 (restated)	**70,211,280**	**(57,856,486)**	**473,701**	**12,828,495**
Loss attributable to members of the parent entity	-	(1,250,398)	-	(1,250,398)
Total other comprehensive income	-	-	(24,028)	(24,028)
Sub total	-	(1,250,398)	(24,028)	(1,274,426)
Share capital reduction	(372,502)	-	-	(372,502)
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2019	**69,838,778**	**(59,106,884)**	**449,673**	**11,181,567**

1. *Reclassified and remeasured amounts due to introduction of AASB15 – see note 8 for explanations*
2. *Reclassified and remeasured amounts due to restatements from errors in prior year – see note 9 for explanations*

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2019
Techniche Limited and Controlled Entities

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		**10,918,585**	6,719,397
Payments to suppliers and employees		**(11,299,677)**	(7,333,877)
Interest received		**19,363**	17,825
Income tax refund / (paid)		**172,335**	81,145
Net cash provided by (used in) operating activities		**(189,394)**	(515,510)
Cash flows from investing activities			
Purchase of shares in joint venture (net of cash acquired)		**-**	(1,333,983)
Purchase of plant and equipment		**(140,196)**	(30,024)
Proceeds from sale of held for sale assets		**-**	2,156,769
Payment for intangible assets		**-**	(1,427,197)
Net cash provided by (used in) investing activities		**(140,196)**	(634,435)
Cash flows from financing activities			
Consideration paid – Share buy back		**(372,502)**	(127,498)
Dividends paid		**-**	(782,573)
Net cash provided by (used in) financing activities		**(372,502)**	(910,071)
Net increase (decrease) in cash held		**(702,092)**	(2,060,016)
Effects of functional currency exchange rate changes		**(58,057)**	223,004
Cash at the beginning of the year		**3,115,672**	4,952,684
Cash at the end of the year		**2,355,523**	3,115,672

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 2019

Note 1. Statement of significant accounting policies

Statement of Compliance

The preliminary 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.

The preliminary financial report comply with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board..

The preliminary 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 2018, the December 2018 half-year report and any public announcements made by Techniche Limited during the year ended 30 June 2019 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The preliminary financial report was authorised for issue by the Directors on 29 August 2019.

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 2018 annual financial report for the year ended 30 June 2018, 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.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 1. Statement of significant accounting policies (continued)

Tax consolidation

The Board resolved that the company and its wholly-owned Australian resident entities will form a tax-consolidated Group and will therefore be taxed as a single entity from 1 July 2018. The notification to the ATO will be made upon lodging the 2018/19 tax return. The head entity within the tax-consolidated Group is Techniche Limited. The members of the tax-consolidated Group are:

Techniche Limited
Techniche APAC Pty Ltd
Techniche IP Services Pty Ltd
Techniche Technologies Pty Ltd
Network Monitoring Holdings Pty Ltd
Urgent Technology Australasia Pty Ltd
ERST International Pty Ltd

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the “separate taxpayer within group” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax-consolidated Group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated Group in accordance with the arrangement.

Initial Application of AASB 15 *Revenue from Contracts with Customers*

The Group has adopted AASB 15: *Revenue from Contracts with Customers* with an initial application date of 1 July 2018. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. As a result, the Group’s revised accounting policy for revenue recognition is as follows:

- Software licence revenue is recognised on a straight-line basis over the period the software is available to the customer rather than the past practice of recognising when invoiced.

- Software customisation revenue is recognised on a straight-line basis over the period that the software is available to the customer and commencing from the time that the software has been delivered to the customer.

- Software installation / implementation project revenue are recognised as distinct performance obligations when delivered or where the contract results in services that have an “alternative use” and a “right to payment”. For project revenues that have no “alternative use” but a “right to payment” exists a percentage completion basis will be applied.

See note 8 for details of the effect from the change in accounting policy.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 1. Statement of significant accounting policies (continued)

Initial Application of AASB 9 *Financial Instruments*

The Group has adopted AASB 9 *Financial Instruments* with an initial application date of 1 July 2018. New requirements have been introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment and general hedge accounting.

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous Standard applicable (AASB 139). To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured as lifetime expected credit loss.

The Group reviewed and assessed the existing financial assets on 1 July 2018. The assessment was made to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised, and to compare that to the credit risk as at 1 July 2017 and 1 July 2018. The assessment was performed without undue cost or effort, in accordance with AASB 9. The application of AASB 9 has no impact on the Group's comparative profit, other comprehensive income and reserves.

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 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

AASB 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and supersedes AASB 117 *Leases*. AASB 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The accounting for lessors will not significantly change. This standard will primarily affect accounting for the Group's operating leases. AASB 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019. The Group is not required to adopt this new standard until the annual reporting period ending 30 June 2020 and has chosen not to early adopt it in the current financial report.

The Group is finalising its assessment of the potential impact of the application of AASB 16 on its financial statements, including the potential impact of the various transition provisions available to the Group. At present, the Group anticipates to adopt the modified retrospective approach in the year ending 30 June 2020 and will not restate comparative amounts. As the Group has non-cancellable operating lease commitments of $806,219 as at 30 June 2019, the impact of the new standard will result in a material right of use asset and lease liability measured at net present value, with the difference recorded in retained earnings on application. Due to the complexity involved in calculating the impact of AASB 16, management have not yet finalised this assessment, therefore no quantification of the impact has been made. Calculation complexity has been impacted by key judgements, including the incremental borrowing rate used to discount lease assets and liabilities and the uncertainties surrounding lease terms including potential rights of renewals.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 2. Revenue from ordinary activities

	2019 $	2018 Restated[2] $
Revenue from wholly owned subsidiaries		
Provision of IT services	**9,803,723**	6,417,139
Return from joint ventures		
Management fee received	**-**	70,000
Interest received	**-**	43,750
Share of net profit /(loss) of joint venture accounted for using the equity method	**-**	(207,852)
	-	(94,102)
Total revenue from ordinary activities	**9,803,723**	6,323,037

Note 3. Earnings per share

	2019 $	2018 Restated[2] $
a. Reconciliation of earnings to profit or loss		
Earnings used to calculate basic & diluted earnings per share – continuing and discontinued operations	**(1,250,398)**	(3,496,295)
Earnings used to calculate basic & diluted earnings per share – continuing operations	**(1,250,398)**	(1,958,263)
b. Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	**213,749,270**	223,260,129
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	**213,749,270**	223,260,129
Earnings per share from continuing & discontinued operations	**cents**	cents
Basic & diluted earnings (cents per share)	**(0.58)**	(1.57)
Earnings per share from continuing operations		
Basic & diluted earnings (cents per share)	**(0.58)**	(0.88)

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 4. Discontinued Operations

a) Summary of discontinued operations

The Group's wholly owned German subsidiary, ERST European Retails Systems Technology GmbH (ERST) was sold on 30 September 2017. The financial performance of the discontinued operation to the date of sale, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

b) Financial information from operations

	2019 **$**	2018 Restated[1] $
Financial Performance		
Revenue	-	754,503
Expenses	-	(431,236)
Profit before income tax	-	323,267
Income tax expenses	-	(25,274)
Profit after income tax of discontinued operation	-	297,993
Loss on sale of subsidiary after income tax (see (c) below)	-	(602,223)
Transfer of foreign currency translation reserve (see (c) below)		(1,233,802)
Profit / (Loss) from discontinued operations	-	(1,538,032)
Cash Flows		
Net cash inflow from operations	-	597,058
Net cash inflow from investing activities (due to sale of company net of cash disposed)	-	2,156,769
Net cash inflow from financing activities	-	-
Net increase in cash generated by the subsidiary	-	2,753,827

c) Financial information from sale

	2019 **$**	2018 Restated[1] $
Details of the sale of the subsidiary		
Gross sale proceeds received in cash	-	3,335,045
Deferred settlement	-	112,646
Total disposal consideration	-	3,447,691
Carrying amount of net assets sold	-	5,231,800
Loss on sale of subsidiary before income tax	-	(602,223)
Transfer of foreign currency translation reserve[1]	-	(1,233,802)
Income tax expense	-	-
Loss on sale of subsidiary after income tax	-	(1,836,025)

1. Reclassified and remeasured amounts due to restatements from errors in prior year – see note 9 (ii) for explanations

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

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, Techniche EMEA Ltd (former called Urgent Technology Ltd) and both Techniche Americas LLC (formerly called Urgent Technology USA LLC) and Statseeker Inc. are domiciled in the United Kingdom and the United States of America respectively, have been prepared in accordance with International Financial Reporting Standards.

Note 7. Intangibles

	2019 **$**	2018 $
Goodwill		
Goodwill acquired	**4,722,851**	4,155,124
Provisional Goodwill	**-**	1,091,166
	4,722,851	5,246,290

Goodwill was recorded in relation to the acquisition of the Statseeker Group of companies on 30 January 2018. Goodwill is assessed annually for impairment.

Intellectual property rights		
Carrying value	**5,420,054**	5,324,814
	5,420,054	5,324,814

Intellectual Property Rights have been recorded in relation to the acquisition of Urgent Technology Limited on 28 May 2010. At the date of the acquisition the excess of the purchase consideration over the Net Tangible Assets acquired was identified as the right to use the eMaintenance Software in servicing the customers of Urgent Technology Limited. The eMaintenance software was subsequently sold by Urgent Technology Limited to Techniche Limited on 14 March 2012, however the rights to use the software remained with Urgent Technology Limited. There is no expiry to the Intellectual Property Rights and the eMaintenance software continues to be maintained. Therefore, the rights have been assessed as having indefinite useful lives and are assessed annually for impairment.

Software / Source Code		
Software / Source Code – at cost	**2,582,596**	2,062,739
Accumulated depreciation	**(257,998)**	-
	2,324,598	2,062,739

Software was recorded in relation to the acquisition of the Statseeker Group of companies on 30 January 2018.

Total Intangible assets	**12,467,503**	12,633,843

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 7. Intangibles (Continued)

Movement in carrying values

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

	2019 $	2018 $
Goodwill		
Opening Balance	**5,246,290**	-
Goodwill acquired	**-**	4,155,124
Provisional goodwill attributed to software / source code	**(523,439)**	1,091,166
Closing balance	**4,722,851**	5,246,290
Intellectual property rights		
Opening Balance	**5,324,814**	5,073,568
Foreign currency revaluation	**95,240**	251,246
Closing balance	**5,420,054**	5,324,814
Software / Source Code		
Opening Balance	**2,062,739**	-
Software acquired	**-**	3,214,078
Capitalised software development	**-**	336,030
Software amortisation	**(261,580)**	(329,721)
Impairment - Capitalised software development	**-**	(1,157,648)
Provisional goodwill attributed to software	**523,439**	
Closing balance	**2,324,598**	2,062,739

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections utilising financial budgets approved by the directors over a five-year period and where justified an additional five-year terminal value discounted at a pre-tax discount rate of 18.0%. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating unit operates. Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical data to project revenues, costs and net profit positions before management fees for the relevant reporting segment.

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Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 8. Initial application of AASB 15: Revenue from Contracts with Customers

The Group has adopted AASB 15: Revenue from Contracts with Customers with an initial application date of 1 July 2018. As a result, the Group has changed its accounting policy revenue recognition as follows.

The Group has applied AASB 15 using the cumulative effect method; that is, by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: Revenue. The following tables provide details of the significant changes and quantitative impact of those changes. Line items that were not affected by the changes have not been included.

	30 June 2018 (previously reported) $	AASB 15 Restatement $	(i) Restatement (refer note 9) $	(ii) Restatement (refer note 9) $	30 June 2018 (Restated) $
Statement of Financial Position (extracted)					
Deferred tax assets	**823,272**	-	(538,672)	-	**284,600**
Unearned income	**3,603,880**	618,291	-	-	**4,222,171**
Reserves	**(760,100)**	-	-	1,233,802	**473,702**
Accumulated losses	**(55,465,722)**	(618,291)	(538,672)	(1,233,802)	**(57,856,487)**
Total current liabilities	**5,086,676**	618,291	-	-	**5,704,967**
Total liabilities	**5,122,991**	618,291	-	-	**5,741,282**

	30 June 2017 (previously reported) $	AASB 15 Restatement $	(i) Restatement (refer note 9) $	(ii) Restatement (refer note 9) $	30 June 2017 (Restated) $
Statement of Financial Position (extracted)					
Unearned income	**842,130**	395,327	-	-	**1,237,457**
Accumulated losses	**(52,959,326)**	(395,327)	-	-	**(57,856,487)**
Total current liabilities	**5,086,676**	395,327	-	-	**2,040,323**
Total liabilities	**5,122,991**	395,327	-	-	**2,040,323**

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 9. Restatement of Financial Statements – Correction of errors

Due to errors in a prior period, the Group has had to restate its financial statements for the financial year ended 30 June 2018.

(i) In the course of preparing the 2018 Australian tax returns for entities that were acquired as part of the Statseeker Group (Techniche Limited subsidiaries) it was identified that certain components of the Deferred Tax Asset balance recorded in the 2018 Financial Statements could not be sustained under the Techniche Group taxation structure post-acquisition. As such, this was an error in the financial report for the year ended 30 June 2018.

(ii) It was identified in the current period that the accounting for the sale of a formerly wholly owned subsidiary (ERST), which was sold and deconsolidated during the period ended 31 December 2017, incorrectly excluded the transfer of its related foreign currency translation reserve in the determination of the total loss on deconsolidation to the Group. As such, this was an error in the financial report for the half year ended 31 December 2017 and financial report for the year ended 30 June 2018.

Details of the restated accounts appear below:

	30 June 2018 (previously reported) $	AASB 15 Restatement (refer note 8) $	(i) Restatement $	(ii) Restatement $	30 June 2018 (Restated) $
Statement of Financial Position (extracted)					
Deferred tax assets	**823,272**	-	(538,672)	-	**284,600**
Unearned income	**3,603,880**	618,291	-	-	**4,222,171**
Reserves	**(760,100)**	-	-	1,233,802	**473,702**
Accumulated losses	**(55,465,722)**	(618,291)	(538,672)	(1,233,802)	**(57,856,487)**
Total current liabilities	**5,086,676**	618,291	-	-	**5,704,967**
Total liabilities	**5,122,991**	618,291	-	-	**5,741,282**

Note 10. Net Current Asset Deficiency

As at 30 June 2019, the Group has reported a net current assets deficiency of $1,402,858 (30 June 2018: $199,917). However, the current liabilities include unearned income of $5,218,978 for customers who paid in advance for the software licence subscription and support fees. The unearned income is not required to be funded with cash, and revenue is recognised when it is earned over the contracted periods.

Notes to the Preliminary Consolidated Financial Report

Techniche Limited and its Controlled Entities Preliminary Consolidated Financial Report for the Year Ended 30 June 2019

Note 11. Operating segments

	TCN Corporate		Urgent Group		Statseeker Group		Total	
	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated
	$	$	$	$	$	$	$	$
Provision of IT software & services	-	-	4,915,808	4,240,931	4,887,915	2,176,208	9,803,723	6,417,139
Inter-segment sales	136,307	92,201	363,264	173,411	-	-	499,571	265,612
Segment sales revenue	136,307	92,201	5,279,072	4,414,342	4,887,915	2,176,208	10,303,294	6,682,751
Equity accounted profits of joint ventures	-	(207,852)	-	-	-	-	-	(207,852)
Inter-company loan forgiveness	-	(1,633,236)	-	1,633,236	-	-	-	-
Other revenue	209,096	226,649	-	-	-	151	209,096	226,800
Total segment revenue before elimination	345,403	(1,522,238)	5,279,072	6,047,578	4,887,915	2,176,359	10,512,390	6,701,699
Reconciliation of segment revenue to group revenue:								
Elimination entries for revenue on consolidation								(360,837)
Total revenue								6,340,862
Profit/(loss) with inter-segment charges	(726,080)	(2,305,709)	230,978	1,834,440	(593,125)	(1,810,579)	(1,088,227)	(2,281,848)
Income tax expense	-	-	240,219	81,843	(402,390)	241,742	(162,171)	323,585
Segment result after tax	(728,080)	(2,305,709)	471,197	1,916,283	(995,515)	(1,568,837)	(1,250,398)	(1,958,263)
Total contribution after tax from continuing operations							(1,250,398)	(1,958,263)
Total contribution after tax from discontinued operations							-	(1,538,032)
Total contribution after tax							(1,250,398)	(3,496,295)
						5		
Segment assets	11,426,833	17,049,457	2,654,854	2,684,600	9,915,596	8,185,239	23,997,283	27,919,296
Inter-segment elimination	(5,156,642)	(8,861,948)	(7,130)	(487,571)	(1,588,867)	-	(6,752,638)	(9,349,519)
Total consolidated assets	6,270,191	8,187,509	2,647,724	2,197,029	8,326,730	8,185,239	17,244,645	18,569,777
Segment liabilities	157,448	776,517	2,734,714	4,133,839	3,470,462	6,345,242	6,362,625	11,255,598
Inter-segment elimination	-	(576,508)	-	(2,115,405)	(299,546)	(2,822,403)	(299,546)	(5,514,316)
Total consolidated liabilities	157,448	200,009	2,734,714	2,018,434	3,170,916	3,522,839	6,063,079	5,741,282
Depreciation and amortisation expense	719	666	40,191	38,309	272,411	353,074	313,321	392,049
Acquisition of property, plant and equipment	10,724	922	14,891	28,371	37,478	7,371	63,093	36,664