

Techniche Limited

Techniche Limited (ABN 83 010 506 162) and its Controlled Entities

24 August 2018

APPENDIX 4E MARKET RELEASE FOR THE YEAR ENDED JUNE 30 2018 - COMMENTARY

The Company is reporting a full year loss of \$1,723,823 to June 30, 2018. This is materially different to the Company's April 9 2018 market update and is the result of two recent and significant one-off expenses:

1. a restructure of the Statseeker business that resulted in a provision of \$336,713 in relation to redundancy and restructuring costs; and
2. the impairment of a number of Statseeker projects for on-going software enhancements with a total after tax value of \$810,354.

Background

The Company purchased the remaining 50% of the issued capital of Network Monitoring Holdings Pty Ltd, the ultimate holding company of the Statseeker business, in late January 2018. Upon acquisition of the remaining shareholding the Company conducted a review of the operations of the business and mapped out a range of changes to personnel and the general operations of the business. This was mainly focussed on reducing cost, with intent on investing some of the savings in frontline regionalised based sales, marketing and support. This resulted in a \$336,713 provision being recognised for redundancy and restructuring costs.

Management has just conducted a review of the intangible assets acquired as part of the Statseeker business acquisition consisting of;

1. \$5,246,290 – Goodwill and other unidentified intangible assets. Of this value, \$4,155,124 was recognised as goodwill from the Purchase Price Allocation when the consolidated Network Monitoring Holdings Pty Ltd (NMH) Group was formed to acquire the “Statseeker” business. Subsequently a further \$1,091,166 has been provisionally recognised as goodwill from Techniche taking control of Network Monitoring Holding Pty Ltd pending the completion of a Purchase Price Allocation report from an independent expert consultant.
2. \$2,056,540 – Core software intellectual property recognised when the consolidated NMH Group was formed to acquire the “Statseeker” business. The original value assigned as part of the Purchase Price Allocation was \$3,108,121 and has since been amortised to the current carrying value of \$2,062,739.
3. \$1,157,648 – Capitalised Software Development relating to the direct costs of projects for the continuing development of software product innovations between 2010 and 30 January, 2018. The current portfolio of projects had a gross value of \$2,531,998. Completed projects have been amortised resulting in the net carrying value of all capitalised software development being reduced to \$1,157,648

Following management's review, the directors were of the opinion that there was insufficient certainty as to the recoverability of Capitalised Software Development relating to the historical direct costs of projects from the continuing development of software product innovations. As at 30 June 2018, the directors have decided to impair the balances of these projects, including the original acquired value at 30 January 2018 and the subsequent capitalized costs less amortization to 30 June 2018.

Other Financial Matters

1. Sale of ERST

The Company sold its investment in ERST Technologies GmbH. Although a very profitable business, ERST had only 2 customers, with one terminating its contract during the sale process. This resulted in a loss on sale of \$602,224.

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2. Purchase of the remaining 50% of the issued capital of Network Monitoring Holdings Pty Ltd

This resulted in the upward revaluation of the initial 50% investment in Statseeker of \$545,584.

3. Additional one-off expenses

The company incurred one-off costs of \$249,438 associated with the sale of ERST and the strategic review of Urgent. This was included in April 9 2018 guidance

4. Sales & Marketing expenses

The additional Sales & Marketing expenses relate to approx. \$400,000 of Statseeker costs, including the costs of exhibiting Cisco Live, Statseeker's major marketing event, and approx. \$250,000 relating to Urgent marketing expenses. This was included in April 9 2018 guidance.

5. Share Buy-Back

The company commenced a share buy back and to date has purchased 4,848,868 shares at an average price of 3.9 cents per share. This resulted in a cash outflow of \$127,498 to June 30 2018, and current total consideration of \$189,309 for the year to date following further purchases since 30 June 2018.

It is expected that the Company will continue to purchase shares following publication of this announcement within the parameters advised to the market on April 9 2018.

GENERAL UPDATE

Considerable work is underway as the Company moves from a technology investment company to global software company.

1. Board Changes

The Board has appointed 2 new directors, Anastasia Ellerby and Mark Gill. Both Anastasia and Mark come with strong backgrounds in growing software companies, particularly with a global focus.

2. Investment US Sales & Marketing

John Sirianni, who is based in the US, has been appointed CEO of Statseeker. With his appointment, additional investment is being made in US based sales, marketing and product support, which is funded by a reallocation of resources from the restructure of Statseeker and other Techniches operating subsidiaries.

3. Investment in UK Sales and Marketing

There has been significant investment made recently in additional sales personnel, marketing capability and professional services in the UK office. This team's current focus is on growing the market for eM+, Urgent's flagship product.

4. Defining a new product roadmap

The Board are investing in mapping our new product roadmap. The focus is building a platform where our asset management and network management applications can jointly provide a unique offering to our customers which utilises the combined intellectual property within the Group.

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5. Territory based structure

As we define our new product roadmap, our regionally based sales teams will be well positioned to offer the full suite of product to our existing and new clients.

About Techniche

Techniche Limited (ASX: TCN) is a listed software company headquartered in Brisbane, Australia. We are building a new platform utilising our asset management and network management applications to provide a unique offering to our customers globally.

Contact

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