

**ASX PRELIMINARY FINAL REPORT**

**SenSen Networks Limited**

**And Controlled Entities**

**ABN 67 121 257 412**

**30 June 2019**

Lodged with the ASX under Listing Rule 4.3A

**Contents**

|   |   |
|---|---|
| Results for Announcement to the Market<br><i>Appendix 4E item 2</i>   | 2 |
| Preliminary Consolidated Statement of Profit and Loss and Other Comprehensive Income<br><i>Appendix 4E item 3</i> | 4 |
| Preliminary Consolidated Statement of Financial Position<br><i>Appendix 4E item 4</i>                             | 5 |
| Preliminary Consolidated Statement of Changes in Equity<br><i>Appendix 4E item 6</i>                              | 6 |
| Preliminary Consolidated Statement of Cash Flows<br><i>Appendix 4E item 5</i>                                     | 7 |
| Supplementary Appendix 4E Information<br><i>Appendix 4E item 7 to 17</i>  | 8 |

This report covers the consolidated entity consisting of SenSen Networks Limited and its controlled entities. The preliminary financial report is presented in Australian dollars.

# SenSen Networks Limited

## Year ended 30 June 2019

### Details of the reporting period

|  |   |                    |             |
|--|---|--------------------|-------------|
| <b>Current period:</b>   | <b>12 months ending 30 June 2019 (FY19)</b> |                    |             |
| <b>Prior period:</b>   | <b>12 months ending 30 June 2018 (FY18)</b> |                    |             |
| <b>RESULTS FOR ANNOUNCEMENT TO MARKET</b>                      |   |                    |             |
|  |   | <b>2019</b>        | <b>2018</b> |
| Revenue from ordinary activities                               | Down 7% to                                  | <b>3,777,984</b>   | 4,049,910   |
| Profit/ (Loss) from after tax attributable to members          | Down 46% to                                 | <b>(4,935,940)</b> | (9,220,416) |
| Total comprehensive income for the year attributable to owners | Down 45% to                                 | <b>(5,058,764)</b> | (9,193,047) |

### Dividends

There were no dividends paid or proposed for the period. The Group does not have a dividend re-investment plan.

### Commentary on the results for Financial year 2019

After registering three consecutive years of 100% year-on-year growth, the Company achieved a revenue result of \$3.78 million for financial year 2019. This is marginally down by ~7% on the 2018 full-year result of \$4.05 million due to longer-than-expected timelines for the awarding of new government and Council contracts.

Pleasingly, delayed contract revenues are starting to come through in the September 2019 quarter in which expected cash receipts of \$1.32 million from invoiced customers will largely meet the anticipated net operating cash outflows in the quarter of \$1.42 million. These include announced contracts with new customers including Cairns Regional Council and the City of Gold Coast as well as additional orders from Brisbane City Council and ATT Systems Group in Singapore.

In addition, for the year ended 30 June 2019, recurring revenue of \$1.5 million is more than 150% higher than recurring revenue for the previous financial year. This recurring revenue is comprised of contributions from a widely diversified group of blue-chip customers including City of Calgary and City of Edmonton in Canada; ATT systems and Tyco in Singapore; Brisbane City Council, Logan City Council and Ipswich City Council in Queensland, Australia; and Roads & Maritime Services in NSW, Australia. In line with our expectations, SenSen's recurring revenue from existing clients also continues to grow and we expect this to be more than \$2 million in financial year 2020. Looking ahead, we expect recurring revenue from existing clients to continue growing at similar rates into the future.

Our strategic investments into marketing and sales activities throughout financial year 2019 are starting to deliver results with significant sales momentum being established for both market segments: Smart Cities and Retail & Leisure. In our Smart Cities vertical, we have recently announced contract wins with councils at Gold Coast, Cairns and Tweed Heads, and we expect further wins throughout financial year 2020.

## Commentary on the results for Financial year 2019 (continued)

In our Retail & Leisure vertical, we recruited experienced talent for business development and invested significantly in proofs-of-concept with internationally recognised customers in financial year 2019 leading to the establishment of a significant sales pipeline at different stages of the procurement lifecycle. The new-look team achieved a key milestone in winning a contract with Solaire Resort & Casino (Philippines) for \$287,000. While invoiced and paid, this revenue has not been recognised in financial year 2019 in line with the updated accounting policy "AASB 15 Revenue from contracts with customers". Instead this revenue is expected to be recognised in the 2020 financial year.

From 1 March 2019, SenSen commenced an operational efficiency program to reduce our monthly cost structure. This prompt action generated \$400,000 in savings before 30 June 2019, including ongoing deferred remuneration for the Board and Executive team.

As SenSen continues to grow rapidly, and to further shore up the financial strength of the Company, related parties of CEO Subhash Challa executed an arms-length loan arrangement in the sum of \$500,000, at a low 4.95% interest rate. This extra working capital buffer allows the Company to continue to sensibly manage deployments efficiently for its customers into the new financial year.

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

For the year ended 30 June 2019

|  | Note | Consolidated<br>2019<br>\$ | 2018<br>\$         |
|--|------|----------------------------|--------------------|
| <b>Revenue</b>   |      |                            |                    |
| Sales Revenue  |      | 3,777,984                  | 4,049,910          |
| Cost of Sales  |      | (1,371,906)                | (1,611,886)        |
| Gross Profit   |      | 2,406,078                  | 2,438,024          |
| Other income   |      | 940,496                    | 723,140            |
| Interest income  |      | 15,960                     | 9,274              |
| <b>Expenses</b>  |      |                            |                    |
| Consulting expense   |      | (897,651)                  | (930,833)          |
| Employee benefits expense  |      | (3,962,287)                | (2,706,017)        |
| Share-based payment expense  |      | (1,264,719)                | (2,019,099)        |
| Occupancy expense  |      | (340,816)                  | (361,954)          |
| Marketing expense  |      | (342,425)                  | (221,044)          |
| Administration expense   |      | (709,761)                  | (215,089)          |
| Depreciation and amortisation expense                              |      | (80,929)                   | (39,797)           |
| Finance costs  |      | (15,466)                   | (112,767)          |
| Corporate restructure expense                                      |      | -                          | (5,229,773)        |
| Other expenses   |      | (809,380)                  | (621,373)          |
| <b>Profit/(Loss) before income tax</b>                             |      | <b>(5,060,900)</b>         | <b>(9,287,308)</b> |
| Tax income/(expense)   |      | 124,960                    | 66,892             |
| <b>(Loss) for the period</b>                                       |      | <b>(4,935,940)</b>         | <b>(9,220,416)</b> |
| Loss attributable to members of the parent entity                  |      | (4,935,940)                | (9,220,416)        |
|  |      | <b>(4,935,940)</b>         | <b>(9,220,416)</b> |
| <b>Other comprehensive income</b>                                  |      |                            |                    |
| <i>Items that may be reclassified to profit or loss</i>            |      |                            |                    |
| Exchange differences on translation of foreign controlled entities |      | (122,824)                  | 27,369             |
| <b>Total comprehensive income for the period</b>                   |      | <b>(122,824)</b>           | <b>27,369</b>      |
| <b>Total comprehensive income for the period attributable to:</b>  |      |                            |                    |
| - Members of the parent entity                                     |      | <b>(5,058,764)</b>         | <b>(9,193,047)</b> |
| <b>Loss per share:</b>   |      |                            |                    |
| Basic and diluted loss per share (cents)                           | 7    | <b>(1.18)</b>              | <b>(3.99)</b>      |

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the accompanying supplementary Appendix 4E information.

**Consolidated Statement of Financial Position**  
**As at 30 June 2019**

|                                      | Note | Consolidated<br>2019<br>\$ | 2018<br>\$       |
|--------------------------------------|------|----------------------------|------------------|
| <b>ASSETS</b>                        |      |                            |                  |
| <b>Current Assets</b>                |      |                            |                  |
| Cash and cash equivalents            |      | 1,972,205                  | 6,556,928        |
| Trade and other receivables          | 10   | 790,811                    | 387,961          |
| Other assets                         |      | 352,100                    | 243,730          |
| <b>Total Current Assets</b>          |      | <b>3,115,116</b>           | <b>7,188,619</b> |
| <b>Non-Current Assets</b>            |      |                            |                  |
| Other receivables                    |      | 56,190                     | 73               |
| Property, plant and equipment        | 11   | 474,205                    | 204,870          |
| Deferred tax assets                  |      | 261,489                    | 337,019          |
| <b>Total Non-Current Assets</b>      |      | <b>791,884</b>             | <b>541,962</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>3,907,000</b>           | <b>7,730,581</b> |
| <b>LIABILITIES</b>                   |      |                            |                  |
| <b>Current Liabilities</b>           |      |                            |                  |
| Trade and other payables             | 12   | 1,457,435                  | 1,526,375        |
| Deferred Tax liabilities             |      | 1,510                      | 237,600          |
| Other liabilities                    |      | 293,228                    | 46,423           |
| Borrowings                           | 13   | 1,324,667                  | 1,388,947        |
| <b>Total Current Liabilities</b>     |      | <b>3,076,840</b>           | <b>3,199,345</b> |
| <b>Non-Current Liabilities</b>       |      |                            |                  |
| Other payables                       |      | -                          | -                |
| Borrowings                           | 13   | -                          | -                |
| <b>Total Non-Current Liabilities</b> |      | <b>-</b>                   | <b>-</b>         |
| <b>TOTAL LIABILITIES</b>             |      | <b>3,076,840</b>           | <b>3,199,345</b> |
| <b>NET ASSETS</b>                    |      | <b>830,161</b>             | <b>4,531,236</b> |
| <b>EQUITY</b>                        |      |                            |                  |
| Issued capital                       | 14   | 29,463,614                 | 28,731,865       |
| Reserves                             | 15   | 3,187,381                  | 2,045,486        |
| Accumulated losses                   |      | (31,820,834)               | (26,246,115)     |
| <b>TOTAL EQUITY</b>                  |      | <b>830,161</b>             | <b>4,531,236</b> |

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying supplementary Appendix 4E information.

**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2019**

|   | Issued<br>Capital | Accumulated<br>Losses | Reserves         | Total<br>Equity    |
|---|-------------------|-----------------------|------------------|--------------------|
| <u>Consolidated</u>   | \$                | \$                    | \$               | \$                 |
| <b>Balance at 1 July 2017</b>                               | <b>13,724,923</b> | <b>(17,025,699)</b>   | <b>(982)</b>     | <b>(3,301,758)</b> |
| Loss for the year   | -                 | (9,220,416)           | -                | (9,220,416)        |
| Other comprehensive income for the period                   | -                 | -                     | 27,369           | 27,369             |
| <b>Total comprehensive loss for the period</b>              | <b>-</b>          | <b>(9,220,416)</b>    | <b>27,369</b>    | <b>(9,193,047)</b> |
| <b>Transactions with owners in their capacity as owners</b> |                   |                       |                  |                    |
| Acquired from reverse acquisition                           | 10,306,942        | -                     | -                | 10,306,942         |
| Shares issued during the year                               | 4,700,000         | -                     | -                | 4,700,000          |
| Share Based Payments  | -                 | -                     | 2,019,099        | 2,019,099          |
| <b>Balance at 30 June 2018</b>                              | <b>28,731,865</b> | <b>(26,246,115)</b>   | <b>2,045,486</b> | <b>4,531,236</b>   |
| <b>Balance at 1 July 2018</b>                               | <b>28,731,865</b> | <b>(26,246,115)</b>   | <b>2,045,486</b> | <b>4,531,236</b>   |
| <b>Adjustment to Retained earnings (see Note 1)</b>         |                   | <b>(638,779)</b>      | <b>-</b>         | <b>(638,779)</b>   |
| Loss for the period   | -                 | (4,935,940)           | -                | (4,935,940)        |
| Other comprehensive income for the period                   | -                 | -                     | (122,824)        | (122,824)          |
| <b>Total comprehensive loss for the period</b>              | <b>-</b>          | <b>(5,574,719)</b>    | <b>(122,824)</b> | <b>(5,697,543)</b> |
| <b>Transactions with owners in their capacity as owners</b> |                   |                       |                  |                    |
| Shares issued during the year                               | 731,749           | -                     | -                | 731,749            |
| Share Based Payments  | -                 | -                     | 1,264,719        | 1,264,719          |
| <b>Balance at 30 June 2019</b>                              | <b>29,463,614</b> | <b>(31,820,834)</b>   | <b>3,187,381</b> | <b>830,161</b>     |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying supplementary Appendix 4E information.

**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2019**

|  | Note      | Consolidated<br>2019<br>\$ | 2018<br>\$         |
|--|-----------|----------------------------|--------------------|
| <b>Cash flows from operating activities</b>                  |           |                            |                    |
| Receipts from customers                                      |           | 2,576,550                  | 3,038,745          |
| Payments to suppliers and employees                          |           | (8,227,462)                | (7,711,679)        |
| Interest received  |           | 15,960                     | 60,942             |
| Finance costs  |           | (15,466)                   | (54,145)           |
| Government grants received                                   |           | 940,496                    | 723,140            |
| Taxation   |           | 202,000                    | (228,836)          |
| <b>Net cash used in operating activities</b>                 | <b>16</b> | <b>(4,507,922)</b>         | <b>(4,171,833)</b> |
| <b>Cash flows from investing activities</b>                  |           |                            |                    |
| Purchase of plant and equipment                              |           | (396,804)                  | (134,901)          |
| Cash from acquisition of subsidiary                          |           | -                          | 6,422,440          |
| <b>Net cash provided by investing activities</b>             |           | <b>(396,804)</b>           | <b>6,287,539</b>   |
| <b>Cash flows from financing activities</b>                  |           |                            |                    |
| Proceeds from issue of shares                                |           | -                          | 5,050,000          |
| Proceeds from borrowings                                     |           | 320,003                    | 727,600            |
| Repayment of borrowings                                      |           | -                          | (1,125,069)        |
| <b>Net cash provided by financing activities</b>             |           | <b>320,003</b>             | <b>4,652,531</b>   |
| Net increase in cash and cash equivalents                    |           | (4,584,723)                | 6,768,235          |
| Cash and cash equivalents at beginning of the financial year |           | 6,556,928                  | (211,307)          |
| <b>Cash and cash equivalents at end of financial year</b>    |           | <b>1,972,205</b>           | <b>6,556,928</b>   |

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying supplementary Appendix 4E information.

## Supplementary Appendix 4E Information

### 1. Statement of significant accounting policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by SenSen Networks Limited during the reporting period in accordance with the continuous disclosure requirements of Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

The preliminary financial report, comprising the financial statements and notes of SenSen Networks Limited and its controlled entities, complies with the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

The principal accounting policies adopted in the preparation of the preliminary financial report are consistent with those of the previous financial year with the exception of those noted below:

#### ***New accounting policies adopted for the first time***

The Group applies, for the first time, AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. However, the accounting policies have changed from that disclosed in the 30 June 2018 financial statements. The impact of the adoption of these standards and the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods, are disclosed below.

#### ***AASB 15 Revenue from Contracts with Customers – Impact of adoption***

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted AASB 15 from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted AASB 15 using the cumulative effect method (without practical expedients). Accordingly, the information presented for 2018 half year financial report has not been restated, presented as previously reported, under AASB 118 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.



## 1. Statement of significant accounting policies (continued)

### **AASB 15 Revenue from Contracts with Customers – Impact of adoption (continued)**

The following table summarises the impact of transition to AASB 15 on retained earnings at 1 July 2018, net of tax:

|   |                     |
|---|---------------------|
| <b>Accumulated losses at 1 July 2018 – previously reported</b>                              | <b>(26,246,115)</b> |
| Adjustment to reflect changes to revenue recognition policy per AASB 15 (see details below) | (638,779)           |
| <b>Accumulated losses at 1 July 2018 – as restated</b>                                      | <b>(26,884,894)</b> |

### Impact on the consolidated statement of financial position

The following tables summarise the impacts of adopting AASB 15 on the Group's statement of financial position as at 30 June 2019 and its statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 30 June 2019.

|                     | As reported         | Adjustments     | Amounts without<br>adoption of AASB<br>15 |
|---------------------|---------------------|-----------------|---|
| <b>Net Assets</b>   | <b>830,161</b>      | <b>(49,242)</b> | 879,403                                   |
| <b>Equity</b>       |                     |                 |   |
| Retained earnings   | (26,884,894)        | (638,779)       | (26,246,115)                              |
| Current earnings    | (4,935,940)         | 589,537         | (5,525,477)                               |
| <b>Total equity</b> | <b>(31,820,834)</b> | <b>49,242</b>   | (31,771,592)                              |

### Impact on the consolidated statement of profit or loss and other comprehensive income

|   | As reported        | Adjustments    | Amounts without<br>adoption of AASB<br>15 |
|---|--------------------|----------------|---|
| Revenue   | 3,777,984          | 985,601        | 2,792,383                                 |
| Cost of sales   | (1,371,906)        | (396,064)      | (975,842)                                 |
| <b>Gross Profit</b>   | <b>2,406,078</b>   | <b>589,537</b> | <b>1,816,541</b>                          |
| <b>Profit/(Loss) for the period</b>   | <b>(4,935,940)</b> | <b>589,537</b> | <b>(5,525,477)</b>                        |
| <b>Total comprehensive income for the period attributable to the members of the parent entity</b> | <b>(5,058,764)</b> | <b>589,537</b> | <b>(5,648,301)</b>                        |

The company adopted AASB 15 Revenue from Contracts with Customers as at 1 July 2018 and, as a result made a number of changes as outlined above to retained earnings and to how current earnings would have been prepared under the previous standard AASB 118.

A small number of customer contracts were affected where revenue is now recognised as per AASB 15 at the point of completing the performance obligation as opposed to other methods such as the transfer of the significant risks and rewards per the previous accounting standard.

## 1. Statement of significant accounting policies (continued)

### AASB 15 Revenue from Contracts with Customers – Accounting policies applied from 1 July 2018

The Group is in the business of developing and selling SenDISA platform-based products and services into two major customer markets:

- **Smart Cities:** civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.
- **Retail and Leisure:** delivering accurate actionable insights to casino owners and managers about table occupancy, hands per hour, bet types and bet values across the gaming floor.

The Group recognises revenue predominantly from the sale of hardware, software and services, including implementation, training, and after-sales maintenance and contracts for Video Analytics Artificial Intelligence platforms and products.

The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of hardware, software and related after-sales service. In most cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### Software License

The Group has determined that revenue from the provision of software licensing is to be recognised when the products are provided to the client and they are invoiced. AASB 15 contains a practical expedient that allows revenue to be recognised when the entity has the right to invoice if the amount invoiced corresponds directly with the performance completed to date. This is the case with product sold on a perpetual license basis where the Group provides the software at a point in time which will be defined in the contract with the customer. It is at this point that the customer has the right to use the software.

#### After-Sales Maintenance fees

The Group enters into fixed price maintenance with its customers for terms between one and five years in length. With support and maintenance fees, a continual assessment of the performance obligations is made, and revenue is only recognised at the point when the performance obligation is satisfied. Therefore, revenue is recognised over time based on the life of the customer contract.

#### Consulting Services

The Group supports the delivery and implementation of customer software with services provided by its professional services team. Customer contracts will include a statement of work, which will describe the work to be completed and the time frame for its completion. These services are invoiced at the point in time of completion of milestones within the statement of work. Therefore, revenue is recognised when the milestone (being the performance obligation) is completed.

## 1. Statement of significant accounting policies (continued)

### **AASB 15 Revenue from Contracts with Customers – Accounting policies applied from 1 July 2018 (continued)**

#### Customer contracts with multiple performance obligations

The majority of the Group's customer contracts are for the delivery of hardware and software which includes functionality, updates and upgrades as and when they become available during the subscription period, in conjunction with access to technical support services. These contracts are priced based on a fixed licence fee for the contract duration which does not change as a result of any upgrades or maintenance and support services provided. The provision of these services is accounted for as a single performance obligation.

Contracts for software licences that feature integrated business solution applications, may include additional charges for professional services. Revenues of this nature are considered distinct and are individually accounted for as a separate performance obligation. Fees are based on standard hourly rates and have been allocated according to their respective stand-alone selling price.

Customer contracts for transaction services are also treated as a separate performance obligation as business transactions are processed on behalf of the customer for a determined fee.

In all cases, the total transaction price for a customer contract is allocated among the various performance obligations based on their relative stand-alone selling prices.

#### Cost of obtaining a customer contract

AASB 15 requires that incremental costs associated with acquiring a customer contract, such as sales commissions, are recognised as an asset and amortised over a period that corresponds with the period of benefit.

#### Unsatisfied performance obligations

The Group continues to recognise its 'contract liabilities' under AASB 15 in respect of any unsatisfied performance obligations. These liabilities are disclosed in the consolidated statement of financial position.

#### Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

## 1. Statement of significant accounting policies (continued)

### **AASB 9 Financial Instruments – Impact of adoption**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. AASB 9 was generally adopted without restating comparative information.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

#### (i) Classification and Measurement

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

At the date of initial application of AASB 9 on 1 July 2018, the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories.

The directors of the Group determined the existing financial assets and liabilities as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effects:

- Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

#### (ii) Impairment of financial assets

In adopting AASB 9, an expected credit loss model is applied and not an incurred credit loss model as per 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. The group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables. A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

The application of the AASB 9 impairment requirements did not result to a material change to the Group's net trade and other receivables. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

## 1. Statement of significant accounting policies (continued)

### AASB 9 *Financial Instruments* – Accounting policies applied from 1 July 2018

#### (i) Investments and other financial assets

##### Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

##### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

##### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in fair value gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

##### Impairment

From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## 2. Material factors affecting the economic entity for the current period

The loss of the Group for the financial year after income tax amounted to \$4,935,940 (2018: loss of \$9,220,416).

An analysis of underlying Adjusted Net profit/(loss) in the current period which is calculated after excluding the effects of costs incurred but not expected to occur in the future is outlined below:

|  | 2019<br>\$         | 2018<br>\$         |
|--|--------------------|--------------------|
| <b>Net profit/(loss) for the year after tax</b>          | <b>(4,935,940)</b> | <b>(9,220,416)</b> |
| Non-recurring expenses <sup>1</sup>                      | -                  | (886,076)          |
| Corporate Restructure expense <sup>2</sup>               | -                  | (5,229,773)        |
| Share-based payment expense <sup>3</sup>                 | (1,264,719)        | (2,019,099)        |
| <b>Adjusted Net profit/(loss) for the year after tax</b> | <b>(3,671,221)</b> | <b>(1,085,468)</b> |

<sup>1</sup>The non-recurring and prior period expenses relates to professional service, capital raising, and other corporate expenses related to the reverse takeover and re-listing of the company on 18 October 2017.

<sup>2</sup>The excess of the deemed fair value of the shares owned by the SenSen Networks Limited shareholders and the fair value of the identifiable net assets of SenSen Networks Limited immediately prior to the completion of the merger is accounted for under AASB 2 *Share Based Payments* and resulted in the recognition of \$5,229,773 being recorded as "Corporate Restructure Expense"

<sup>3</sup>The share-based payment expense includes amounts that are the product of a model-based valuation and, in some cases, carry performance conditions around the company's financial results that may or may not be met. These valuations are the subject of certain assumptions that may change from year to year.

**3. Retained Earnings** *(Appendix 4E item 6)*

|                                | <b>Consolidated</b> |                     |
|--------------------------------|---------------------|---------------------|
|                                | <b>2019</b>         | <b>2018</b>         |
|                                | <b>\$</b>           | <b>\$</b>           |
| Balance 1 July                 | (26,884,894)        | (17,025,699)        |
| Net profit/(loss) for the year | (4,935,940)         | (9,220,416)         |
| Balance 30 June                | <b>(31,820,834)</b> | <b>(26,246,115)</b> |

**4. Additional Dividend Information** *(Appendix 4E item 7)*

There were no dividends paid or proposed during the year.

**5. Dividend Reinvestment Plan** *(Appendix 4E item 8)*

The company has no dividend reinvestment plan in operation.

**6. NTA Backing** *(Appendix 4E item 9)*

|   | <b>Consolidated</b> |             |
|---|---------------------|-------------|
|   | <b>2019</b>         | <b>2018</b> |
|   | <b>\$</b>           | <b>\$</b>   |
| Net tangible asset backing per ordinary share | \$0.001             | \$0.01      |

## 7. Earnings/(loss) per share (Appendix 4E item 14.1)

|   | Consolidated<br>2019<br>\$ | 2018<br>\$         |
|---|----------------------------|--------------------|
| Basic profit/ (loss) per share (cents per share)  | (1.18)                     | (3.99)             |
| Diluted profit/ (loss) per share (cents per share)  | (1.18)                     | (3.99)             |
| Profit/ (loss) used in calculating EPS  | (4,935,940)                | (9,220,416)        |
| Basic and diluted loss per share  |                            |                    |
| Profit/(Loss) used in calculating EPS   |                            |                    |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS                    | No.<br>416,743,424         | No.<br>213,180,678 |
| <i>Reconciliation of basic and diluted loss per share</i>   |                            |                    |
| Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings/(loss) per share: | (4,935,940)                | (9,220,416)        |

## 8. Share Buyback (Appendix 4E item 14.2)

The company had no on-market buy back in operation during the year ended 30 June 2019 or the year ended 30 June 2018.

## 9. Segment information (Appendix 4E item 14.4)

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Following the acquisition of SenSen P/L, the group aggregated all its reporting segments into two reportable operating segments. Prior to acquisition, the Company operated as a corporate shell having ceased its previous exploration activities in the prior period.

The principal areas of operation of the group are as follows:

- Smart Cities
- Retail & Leisure



## 9. Segment information (continued)

### Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

|                                    | Smart Cities       | Retail & Leisure | Consolidated       | Smart Cities       | Retail & Leisure | Consolidated       |
|------------------------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|
|                                    | \$                 | \$               | \$                 | \$                 | \$               | \$                 |
|                                    | 2019               |                  |                    | 2018               |                  |                    |
| <b>Segment performance</b>         |                    |                  |                    |                    |                  |                    |
| <b>Revenue</b>                     |                    |                  |                    |                    |                  |                    |
| Sales revenue                      | 3,737,051          | 40,933           | 3,777,984          | 3,019,575          | 1,030,335        | 4,049,910          |
| Other revenue                      | 956,456            | -                | 956,456            | 732,414            | -                | 732,414            |
| Inter-segment revenue              | -                  | -                | -                  | -                  | -                | -                  |
| <b>Total Revenue</b>               | <b>4,693,507</b>   | <b>40,933</b>    | <b>4,734,440</b>   | <b>3,751,989</b>   | <b>1,030,335</b> | <b>4,782,234</b>   |
| Segment result                     | (4,225,095)        | (835,805)        | (5,060,900)        | (9,975,694)        | 688,386          | (9,287,308)        |
| Income tax                         | 124,960            | -                | 124,960            | 66,892             | -                | 66,892             |
| <b>Net Loss</b>                    | <b>(4,100,135)</b> | <b>(835,805)</b> | <b>(4,935,940)</b> | <b>(9,908,802)</b> | <b>688,386</b>   | <b>(9,220,416)</b> |
| Depreciation and amortisation      | 80,929             | -                | 80,929             | 39,797             | -                | 39,797             |
| Share-based payment expense        | 1,264,719          | -                | 1,264,719          | 2,019,099          | -                | 2,019,099          |
| Unrealised foreign exchange losses | -                  | -                | -                  | -                  | -                | -                  |

## 10. Trade and other receivables

|                   | Consolidated<br>2019 | 2018           |
|-------------------|----------------------|----------------|
|                   | \$                   | \$             |
| <b>CURRENT</b>    |                      |                |
| Trade Receivables | 790,811              | 387,961        |
|                   | <b>790,811</b>       | <b>387,961</b> |

## 11. Property, plant and equipment

|                                | Motor<br>Vehicles | Furniture &<br>Equipment | Computer<br>Equipment | Total            |
|--------------------------------|-------------------|--------------------------|-----------------------|------------------|
|                                | \$                | \$                       | \$                    | \$               |
| <b>30 June 2018</b>            |                   |                          |                       |                  |
| Opening net book value         | 72,160            | 11,347                   | 29,811                | <b>113,318</b>   |
| Additions/(Disposals)          | -                 | 3,652                    | 127,697               | <b>131,349</b>   |
| Depreciation and amortisation  | (5,501)           | (2,140)                  | (32,156)              | <b>(39,797)</b>  |
| <b>Balance at 30 June 2018</b> | <b>66,659</b>     | <b>12,859</b>            | <b>125,352</b>        | <b>204,870</b>   |
| <b>At 30 June 2018</b>         |                   |                          |                       |                  |
| Cost or fair value             | 96,371            | 44,952                   | 257,422               | <b>398,745</b>   |
| Accumulated depreciation       | (29,712)          | (32,093)                 | (132,070)             | <b>(193,875)</b> |
| <b>Net book balance</b>        | <b>66,659</b>     | <b>12,859</b>            | <b>125,352</b>        | <b>204,870</b>   |
|                                | Motor<br>Vehicles | Furniture &<br>Equipment | Computer<br>Equipment | Total            |
|                                | \$                | \$                       | \$                    | \$               |
| <b>30 June 2019</b>            |                   |                          |                       |                  |
| Opening net book value         | 66,659            | 12,859                   | 125,352               | <b>204,870</b>   |
| Additions/disposals            | 37,880            | 1,509                    | 310,875               | <b>350,264</b>   |
| Depreciation and amortisation  | (10,793)          | (1,355)                  | (68,781)              | <b>(80,929)</b>  |
| <b>Balance at 30 June 2019</b> | <b>93,746</b>     | <b>13,013</b>            | <b>367,446</b>        | <b>474,205</b>   |
| <b>At 30 June 2019</b>         |                   |                          |                       |                  |
| Cost or fair value             | 133,565           | 46,461                   | 560,781               | <b>740,807</b>   |
| Accumulated depreciation       | (39,819)          | (33,448)                 | (193,335)             | <b>(266,602)</b> |
| <b>Net book balance</b>        | <b>93,746</b>     | <b>13,013</b>            | <b>367,446</b>        | <b>474,205</b>   |

## 12. Trade and other payables

|                             | Consolidated     |                  |
|-----------------------------|------------------|------------------|
|                             | 2019             | 2018             |
|                             | \$               | \$               |
| <b>Current</b>              |                  |                  |
| Trade payables              | 508,335          | 414,016          |
| Payroll and tax liabilities | 711,323          | 742,433          |
| Accrued expenses            | 237,777          | 369,926          |
|                             | <b>1,457,435</b> | <b>1,526,375</b> |

All trade and other payables are expected to be settled within 12 months.

## 13. Borrowings

|  | Consolidated     |                  |
|--|------------------|------------------|
|  | 2019             | 2018             |
|  | \$               | \$               |
| (a) Loans from related parties – unsecured | 820,000          | 870,895          |
| (b) Bank Loan                              | 450,000          | 450,000          |
| (c) Car Loan                               | 54,667           | 68,052           |
| <b>Total Current Borrowings</b>            | <b>1,324,667</b> | <b>1,388,947</b> |

- a) A shareholder, Speedshield Holdings extended a loan of \$500,000 to the Company with no interest payable.

A loan facility of \$500,000 was agreed with Subhash Challa and related parties in June 2019. \$320,000 of this facility was drawn down as at 30 June 2019.

Directors loans of \$343,284 were repaid during the year through equity awards as approved at the Company's Annual General Meeting on 31 October 2018.

- b) The company has a business loan facility with Commonwealth Bank for \$450,000. Variable rate interest of 5.45% is charged and the loan term expires on 13 December 2020.
- c) The company has a motor vehicle loan which expires in June 2020.

## 14. ISSUED CAPITAL

|                 |      | Consolidated<br>2019 | 2018       |
|-----------------|------|----------------------|------------|
|                 | Note | \$                   | \$         |
| Ordinary shares | (a)  | 29,463,614           | 28,731,865 |

### (a) Share capital movement during the period

|   | 2019               |                   | Consolidated<br>2018 |                   |
|---|--------------------|-------------------|----------------------|-------------------|
|   | No.                | \$                | No.                  | \$                |
| Balance at beginning of the reporting period  | 411,315,895        | 28,731,865        | 6,259,358            | 13,724,923        |
| Shares issued during the year (i)   | 2,435,068          | -                 | -                    | -                 |
| Share issued to settle directors loans (ii)   | 4,803,455          | 731,749           | -                    | -                 |
| <b>Merger of SenSen Networks Limited (the Company) and SenSen Networks Pty Ltd (SenSen)</b> |                    |                   |                      |                   |
| Elimination of existing SenSen shares at acquisition date                                   | -                  | -                 | (6,259,358)          | -                 |
| Existing Company shares at acquisition of SenSen  |                    |                   | 103,069,423          | -                 |
| Company shares issued to SenSen vendors on acquisition                                      | -                  | -                 | 273,764,706          | 10,306,942        |
| Placement of shares   | -                  | -                 | 34,481,766           | 4,700,000         |
| <b>Balance at end of period</b>   | <b>418,554,418</b> | <b>29,463,614</b> | <b>411,315,895</b>   | <b>28,731,865</b> |

(i) SenSen issued 2,435,068 shares to directors and staff members as part of the company's Long-Term Incentive scheme on 27 July 2018.

(ii) Directors loans and payables of \$982,242 were settled in full during the period as approved at the company's Annual General Meeting on 31 October 2018. \$731,749 (4,803,455 ordinary shares) was settled through equity consideration and the remainder in cash to settle related PAYG withholding liabilities.

## 15. Reserves

|                              | Consolidated     |                  |
|------------------------------|------------------|------------------|
|                              | 2019             | 2018             |
|                              | \$               | \$               |
| Share based payments         | 3,283,818        | 2,019,099        |
| Foreign currency translation | (96,437)         | 26,387           |
|                              | <b>3,187,381</b> | <b>2,045,486</b> |

## 16. Reconciliation of cash flows from operating activities

|   | Consolidated       |                    |
|---|--------------------|--------------------|
|   | 2019               | 2018               |
|   | \$                 | \$                 |
| <b>(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax</b>  |                    |                    |
| Net profit/(loss)   | (4,935,940)        | (9,220,416)        |
| <b>Non-cash flows in profit/(loss):</b>   |                    |                    |
| Expenses  |                    |                    |
| Depreciation and amortisation expense   | 80,929             | 39,797             |
| Corporate Restructure expense   | -                  | 5,229,773          |
| Share based payment expense   | 1,264,719          | 2,019,099          |
| <i>Changes in assets and liabilities net of the effects of acquisitions of subsidiaries</i> |                    |                    |
| Decrease/(Increase)/in trade and other receivables  | (502,016)          | (85,213)           |
| (Decrease)/increase in trade and other payables   | (492,654)          | (2,561,803)        |
| Decrease/(Increase) in provisions   | 77,040             | -                  |
| Reverse Acquisition adjustment  | -                  | 406,930            |
| <b>Net cash (used in) operating activities</b>  | <b>(4,507,922)</b> | <b>(4,171,833)</b> |

## **17. Trends in Performance** *(Appendix 4E item 14.5)*

The business recorded flat revenue performance over the previous financial year. The financial year 2019 revenues consisted primarily of existing recurring contracted revenue and additional orders from SenSen's Smart Cities customers in Australia and overseas, with the biggest relative contribution occurring in the first half.

In the financial year ahead, the Company expects growing revenues from both a strong pipeline of new potential clients and recurrent revenue in both the Smart Cities and Retail & Leisure sectors, as well as from software as a service (SaaS) licence arrangements with existing clients.

## **18. Other Factors that Affected Results in the Period or which are Likely to Affect the Results in the Future** *(Appendix 4E item 14.6)*

Longer than expected timelines for the awarding of new government and Council contracts following tender processes and trials resulted in the timing of a number of anticipated positive financial outcomes for SenSen shifting to later in calendar year 2019.

A material contract with Solaire Casino (Philippines) for \$287k, although invoiced and paid, was not recognised as revenue in the 2019 financial year, in line with the updated accounting policy "AASB 15 Revenue from contracts with customers". This revenue will be recognised in the 2020 financial year.

In the Smart Cities business vertical, SenSen launched the world's first AI-powered smartphone app, Gemineye, in March 2019, which offers cities around the globe access to affordable, accessible, highly accurate process automation services for smart cities. The new solution is a game changer for governments, cities and councils, offering an unprecedentedly cost-effective solution for smart city management and significantly broadening SenSen's global addressable market while reducing the timeframes for technology adoption and thereby SenSen revenue outcomes.

In the Retail & Leisure business vertical, SenGAME market penetration and growth is accelerating. Successful marketing of the SenGAME solution in financial year 2019 further cemented the Company's position as a disruptive force in gaming table optimisation in the casino industry. No competitor can offer a comparable package of recognition software providing highly accurate AI and real-time monitoring of chips, cash, cards and players allowing casinos to maximise their gaming table operations' revenue, and all at the most competitive pricing.

The pace of installing the SenGAME system in casinos around the world is accelerating and the Company expects to more rapidly transfer clients trialing the system into paying customers with multiple table deployments over the next financial year.

## **19. Controlled Entities Acquired or Disposed of** *(Appendix 4E item 10)*

No controlled entities were acquired or disposed of during the year.

## **20. Associates and Joint Venture Entities** *(Appendix 4E item 11)*

The Company did not acquire or dispose of any interests in Joint Ventures or Associates during the year.

## **21. Other Significant Information** *(Appendix 4E item 12)*

There is no other significant information in addition to the information that has been included in this report in relation to the company's financial performance or financial position.

**22. Subsequent events**

There were no material subsequent events after the year-end date of 30 June 2019.

**23. Audit Status** (*Appendix 4E item 15*)

This report is based on accounts which are in the process of being audited.

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