



Connecting People and Information

Annual Report

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FY22

Financial Year Ending
30th June 2022

(ASX:KNO)

knosys.co

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Knosys' Mission

To empower organisations to
make smarter connections
with their information.

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Global Clients



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Corporate Directory

Board of Directors

- Hon. Alan Stockdale AO
Non-Executive Chairman
- John Thompson
CEO & Managing Director
- Kathrin Mutinelli
Non-Executive Director
- Neil Wilson
Non-Executive Director

Auditor

William Buck Audit (VIC) Pty Ltd
20/181 William St,
Melbourne VIC 3000
www.williambuck.com

Registers of securities are held at the following address:

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000
Ph: 1300 288 664

Principal Place of Business and Registered Office

Level 8, 31 Queen Street
Melbourne VIC 3000
Ph: +61 3 9046 9700
www.knosys.co

Chairman's letter to shareholders

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Dear Shareholders,

On behalf of the Board of Knosys Limited, I have pleasure in presenting to you the 2022 Annual Report.

Over the past year, Knosys has matured into a multi-solution SaaS technology company with a global footprint, low volatility revenue streams and a steadily increasing annualised recurring revenue. We successfully integrated two acquisitions, and we also delivered organic growth through up-selling to our expanded customer base.

Following the acquisition of Libero in August 2021, the Board decided to invest in a targeted growth strategy in order to accelerate customer acquisition, brand awareness and revenue growth across our expanded portfolio of solutions. We released our growth strategy to the market in November 2021 and I am pleased to report that the execution is progressing well.

Total operating revenue increased by 94% to \$8.9m in the 2022 financial year, reflecting organic growth, the full year contribution of the GreenOrbit acquisition and the ten-month contribution from the Libero acquisition. Our consolidated loss of \$3.1m includes the increased investment in sales & marketing and product development, and \$1.95m of charges for transaction costs, amortisation of intangibles, non-cash share based remuneration expense. Importantly, the operating cash out-flow of \$220K demonstrates the sustainability of our business model in self-funding our investment in growth.

Organic growth and our acquisitions have increased the size and spread of the Knosys business and helped achieve our growth objectives. The Company now has 340+ customers in 25+ countries and is well-positioned to increase recurring revenue and lay the base for future profitability.

At our AGM last December, Peter Pawlowitsch retired from the Board. Peter played a major role through the establishment, listing, capital raisings and growth of Knosys and I would like to thank Peter for his significant contribution to the company over many years.

Looking ahead, we expect to see the continuation of trends driving demand for our solutions with the growth in remote workers, customer expectations of consistent information across channels and the need for high quality governance and compliance on ever increasing volumes of information. We are confident that Knosys remains well positioned to continue growing its recurring revenue through its portfolio of market-leading SaaS solutions, over the months and years ahead.

On behalf of the Directors, I would like to thank our Managing Director, John Thompson for his excellent leadership, our other senior executives, including Stephen Kerr and Nic Passmore and all our staff for their resilience and flexibility in navigating the disrupted business environment over the past few years. I would also like to thank our shareholders for their continuing support as we implement our growth strategy to drive sustainable earnings over the longer term.

Hon. Alan Stockdale AO
CHAIRMAN

29 August 2022

Knosys Today



**FOUNDED
2015**



**ASX
LISTED**



**50+
EMPLOYEES**



**HQ MELBOURNE,
AUSTRALIA**



**SAAS
SOLUTIONS**



**340+ CUSTOMERS
GLOBALLY**



**54% GROWTH IN
ARR ON PCP**



**OPEN SOLUTIONS
WITH API
CONNECTIONS**

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CEO & Operations Report



Over the past two years, Knosys has transformed into a global software-as-a-service (SaaS) information technology company, offering a range of software solutions designed to boost productivity, collaboration and connectivity in the digital workplace.

Knosys now has a recurring revenue base across three SaaS solutions, Knosys Knowledge IQ, GreenOrbit Intelligent Intranet and Libero Library Management across a global footprint, following the acquisitions of GreenOrbit (March 2021) and Libero (August 2021).



Operation Locations

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CEO & Operations Report

In FY22, Knosys invested in its enhanced growth strategy through an increase in sales & marketing spend, accelerated product development and expanded local & global operations, in order to leverage our recent acquisitions and grow our global market share and revenue.

Over the past year, we have successfully grown and diversified our customer base and we now generate revenue from three different solutions across key geographies. We have experienced minimal churn in our global customer base, and our annualised recurring revenue continues to increase through new customer acquisition and successful organic growth strategies of up-selling to the larger customer base.

Knosys remains well positioned to benefit from the structural change in working arrangements in a post COVID environment. Many businesses are redesigning their operations to be more agile and customer focused and they are demanding solutions to connect their customers and staff to information through a single source of truth.

Knosys' portfolio of SaaS solutions enables staff and customers to self-serve and ensure consistency across all digital channels, and therefore remain in high demand.

FY22 Financial Highlights

Key financial metrics in the 2022 financial year:

- License and support fee revenues increased by 120% to \$8,298,529 (FY21: \$3,771,143);
- Total operating revenue for the consolidated entity increased by 94% to \$8,916,995 (2021: \$4,594,082);
- The loss for the consolidated entity after providing for income tax was \$3,050,548 (2021: \$543,838), including one-off acquisition costs of \$499,196, non-cash charges for amortisation of intangibles of \$741,120 and non-cash shared based remuneration expense of \$720,892;
- Net cash out flow from operating activities was \$220,299 (2021 inflow: \$580,114); and
- The consolidated entity had net assets of \$8,925,685 at 30 June 2022 (2021: \$10,017,838) and held cash and cash equivalents of \$3,095,702 (2021: \$6,532,415).

We were very pleased to deliver exceptional top line revenue growth in FY22, with near breakeven operating cash flow.

The FY22 financial results include a ten-month contribution from the Libero acquisition (August 2021) and the full year contribution from the Green Orbit acquisition (March 2021).

Over the past year, employee costs and operational expenses increased to reflect the company's growth strategy and enhanced operations. The net cash out flow of just \$220K demonstrates the sustainability of the Knosys business model through its ability to self-fund the enhanced growth strategy.



FY22 Key Highlights

\$9.4m
ARR as at July 2022

94%
Increase in operating revenue since FY21

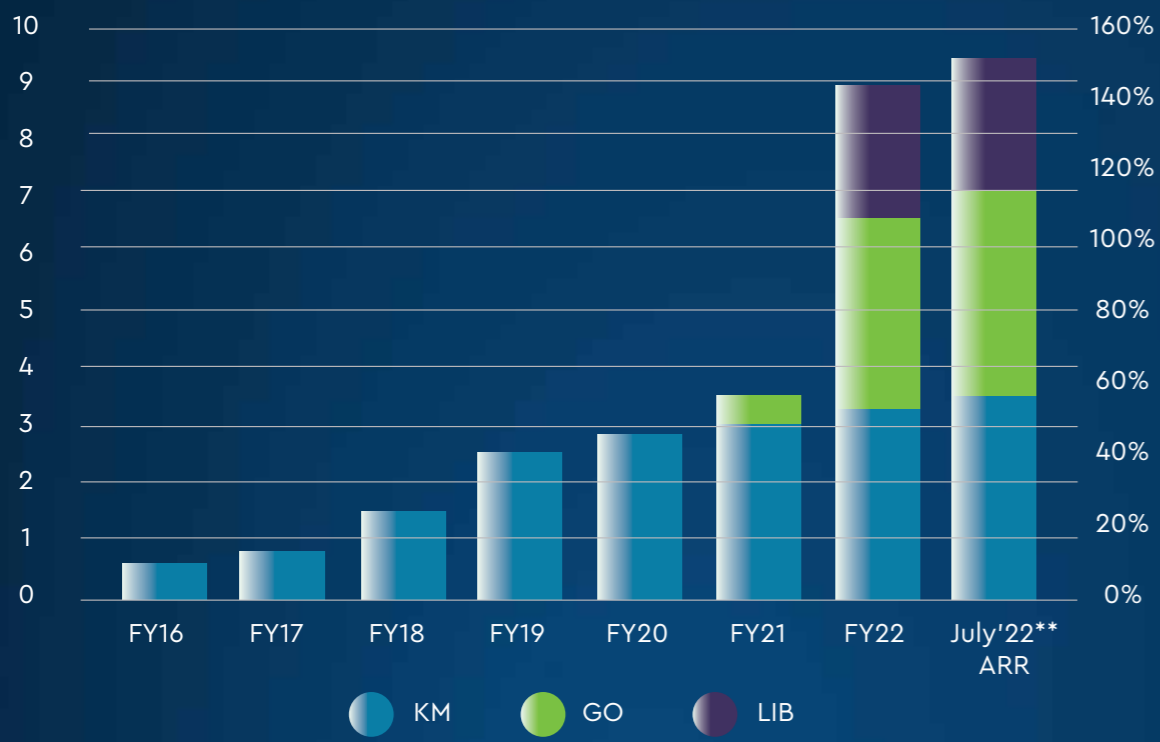
87%
Gross Profit Margin

14%
(R&D spend as % of Revenue)

340+
Customers

~9%
Customer churn per annum

The Annualised Recurring Revenue (ARR) increased to \$9.4 million, up from \$6.1m in FY21.



*FY22 reflects actual recurring revenue for the year, including the impact of acquisitions
 **July'22 ARR reflects July'22 month's recurring revenue annualised to give an annual run rate

FY22 Review of Operations

Knosys has a mission to empower businesses of all sizes, from large enterprise organisations to small companies, to make smarter connections with their information.

Our focus is on developing solutions that enable businesses to make the most of information and knowledge assets that sit within their organisation. We offer three market leading solutions across Knowledge Management, Employee Experience and Library Management.

Product Portfolio



Knowledge Management Intuitive Platform

KnowledgeIQ
A solution by Knosys

KnowledgeIQ - Intuitive platform supporting your corporate teams, call centres and customers. Unlocking knowledge to help employees and customers find answers and information quickly when they need it. Trusted single source of truth for everyone.



Intranet - Employee Experience Solution

GreenOrbit
A solution by Knosys

GreenOrbit - Everything your employee needs built in. Empowering digital workplace with the best employee tools to communicate, collaborate and engage through an intelligent intranet. Creating inspiring experiences.



Library Management Innovative Solution

Libero
A solution by Knosys

Libero - A powerful library management system to manage all your resources in the digital workspace. Libero is cloud based enabling your employees and members to access your library management solution anywhere, at anytime.

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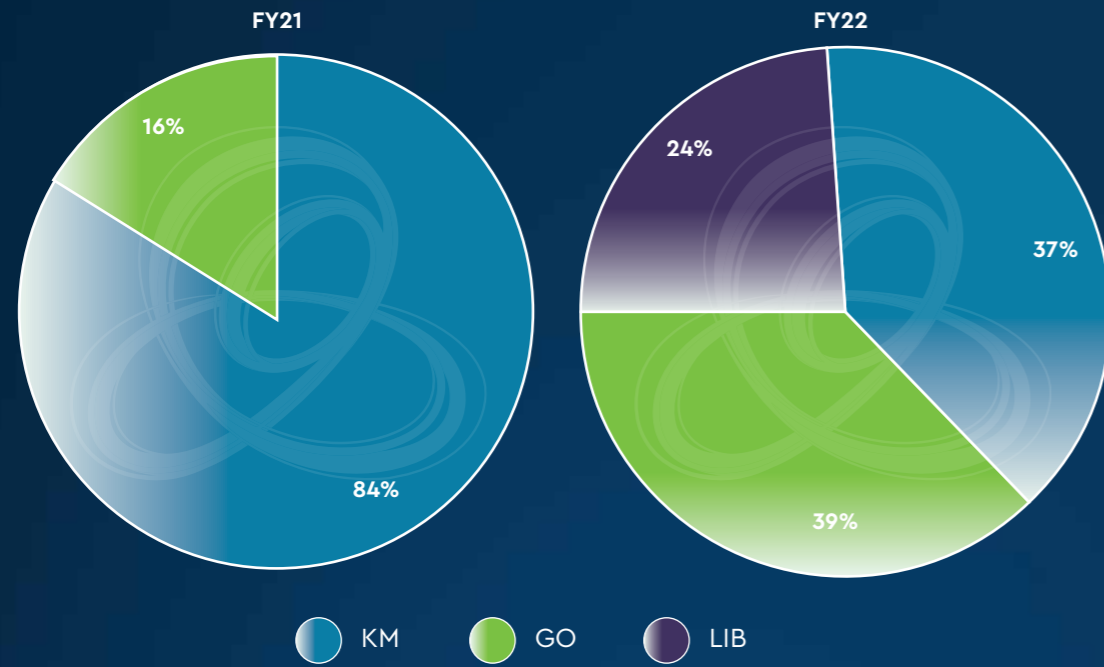
Diversifying revenue by product and geography

Over the past year, we have successfully diversified revenue by product and by geography.

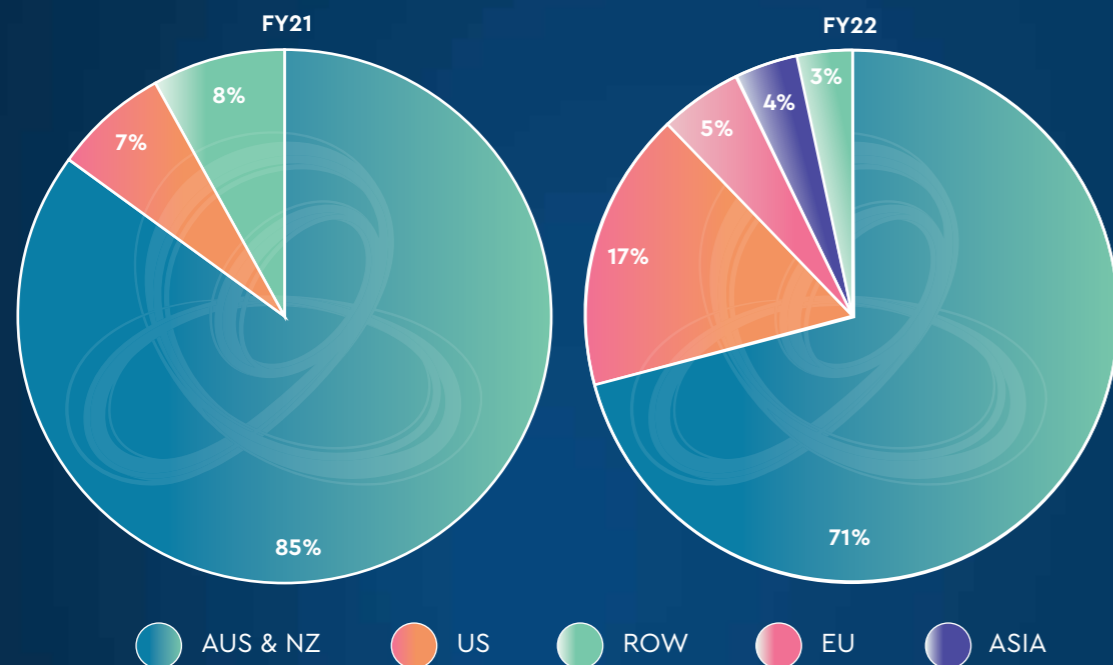
In FY21, 84% of revenue was from Knowledge Management, reducing to 37% in FY22.

In FY21, 85% of revenue was from Australia and New Zealand, decreasing to 71% in FY22.

Revenue by Product



Revenue by Geography



Industry trends driving demand for the Knosys product suite

An organisation's ability to engage, inform, automate, modernise, and deliver the ultimate customer/employee experience from wherever customers engage from and employees work from, is crucial to maintaining a competitive position and sustained business success.

The Knosys solutions are extremely well positioned to fulfill that need, providing organisations with the security of business continuity and functional productivity improvement, in an increasingly demanding environment.

The four key drivers of demand across all our solutions are:

- 1** The growth in number of remote workers, which started before covid and accelerated over the past few years during covid and is now moving to a hybrid office/home work-model.
- 2** Increased customer expectations of consistent information across all channels, including at the physical office, a contact centre, a mobile phone, website or chat bot.
- 3** The need for high quality governance and compliance processes, which are especially important for organisations that operate in a highly regulated environment, as these organisations need to be able to track and trace all interactions with their customers.
- 4** The content explosion and information overload, driving demand for our solutions which simplify and prioritise information to ensure that workers only see the information they need to perform their role with increasing efficiency and effectiveness.

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Growth strategy

In November 2021, Knosys released its Growth Strategy to the market and we are currently one year into our three year growth plan. Knosys is focussed on revenue growth across all product lines, but tight control on costs is designed to balance returns with growth.

The Knosys vision is to empower organisations to make smarter connections with their information. The market demand for the Knosys portfolio of SaaS solutions is driven by the remote workforce, customer expectations of consistency, content explosion & siloes as well as information governance & compliance.

Knosys estimates the total market opportunity across Employee Experience, Knowledge Management and Library Management solutions to be around \$30B per annum globally.

Knosys strategic goals for 2024 are to:

Be recognised as a leading SaaS vendor in each of its solution spaces;

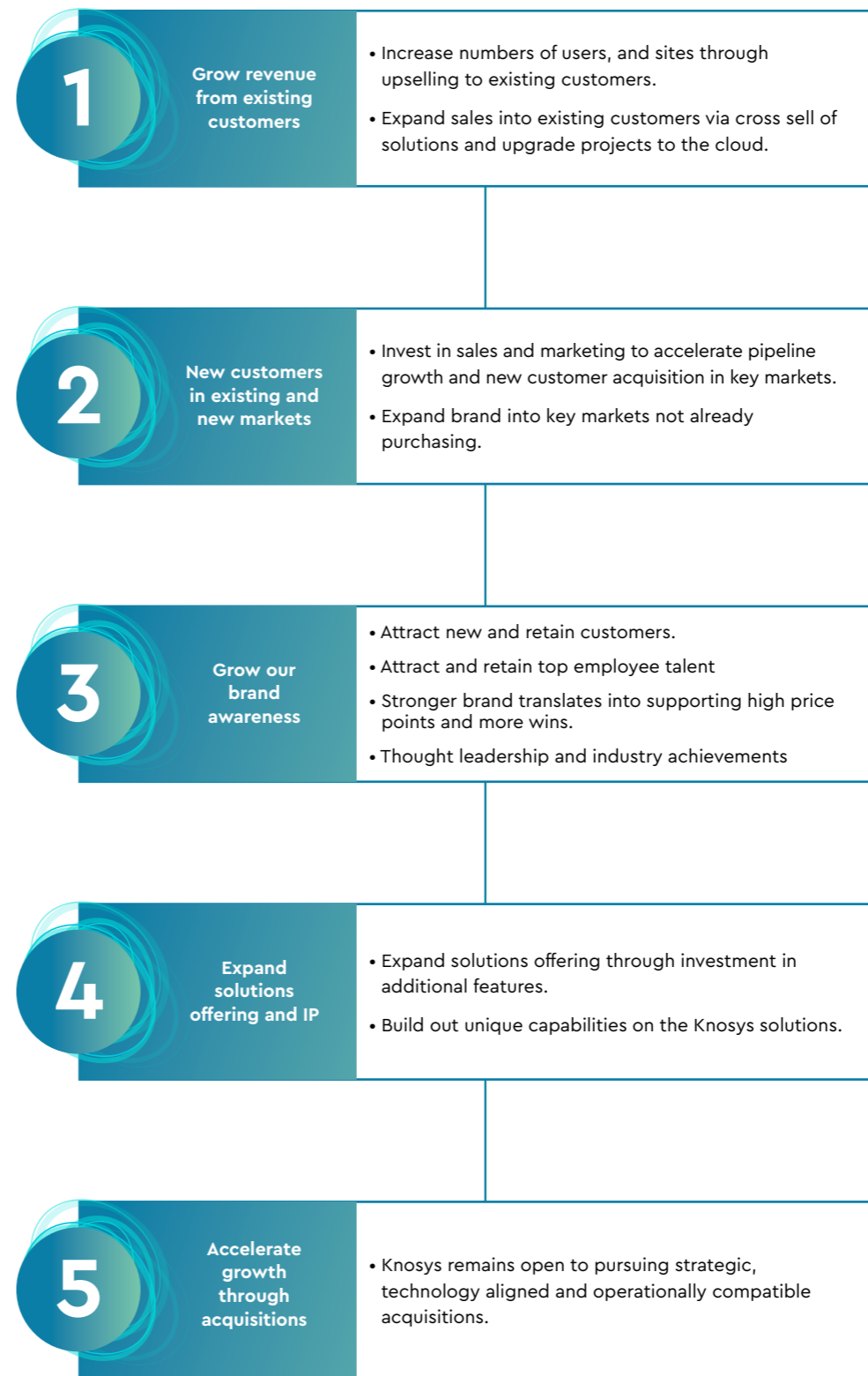
Grow its global customer base to over 1,000 customers; and

Have over one million contracted users.

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In order to achieve these strategic goals, Knosys has outlined a five pillar growth strategy.



Executing on the strategy

In FY22, Knosys focused on increasing the annual revenue per user (ARPU) of the GreenOrbit customer base, and this translated to a material uplift on subscription fees upon renewal. Over 48% of the GreenOrbit customer base has now transitioned to the latest product release. The legacy Intranet ID product will reach end of life in December 2022, as the final group of customers transition to the latest GreenOrbit product release. This transition has resulted in an increase in total annual recurring revenue for the GreenOrbit business and short to medium term increases in service and implementation fees. This program will be completed by December 2022, at which time the focus of resources will be on new customer opportunities.

In FY22, Knosys commenced a program to consolidate its global customer base into a single cloud service provider to improve operating margins and minimise the need for additional cloud resources going forward. This work is scheduled for completion in FY23.

Key contract wins in FY22 include:

New customer wins in Knowledge Management and a 3,500 user expansion from a major banking customer.

Signed a two-year contract extension with Optus for the continued use of Knosys' market leading Knowledge Management platform, Knowledge IQ, with a total contract value of over \$2m.

Signed major contract extensions for our GreenOrbit intranet solution with enterprise customers including Harvey Norman, Healthscope and GPC.

A major contract with Healthdirect Australia for Knowledge IQ, with an expected total contract value of over \$650K over four years.

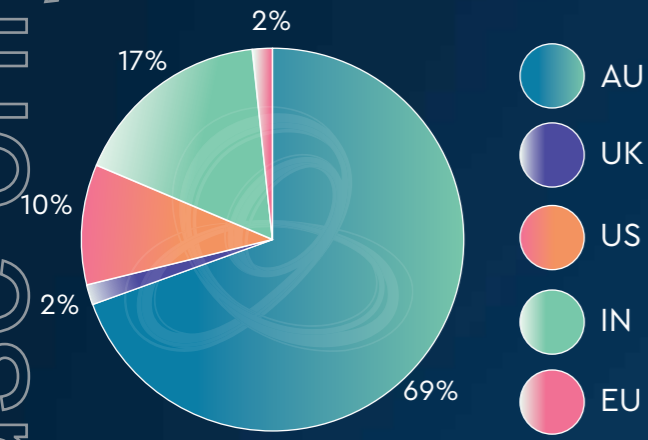
Further wins in Australia and the United States for KnowledgeIQ, Libero and GreenOrbit solutions, signing new customers Services TAS, Services SA, The Australian Club, National Film and Sound Archive of Australia, Snowy Monaro Library and Heritage Bank.

Knosys is a **global** organisation bringing people and technology solutions together

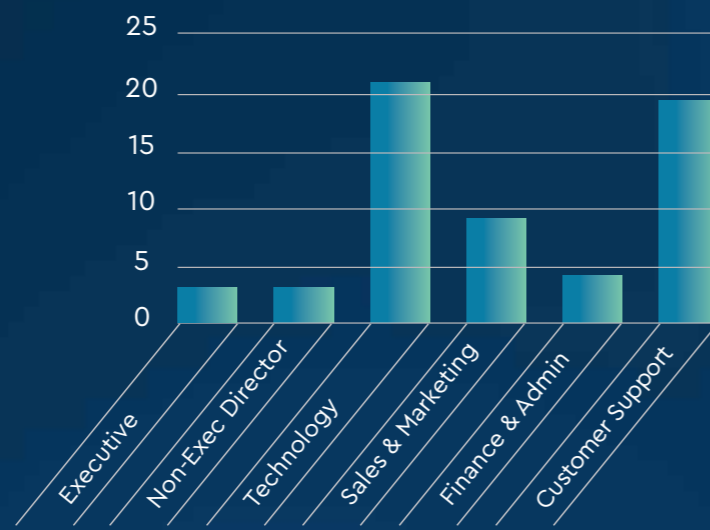


Our People

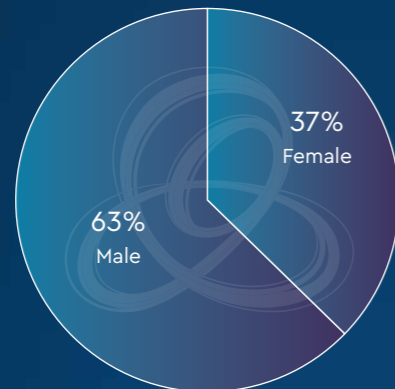
By Region



By Department



Number of Employees



Knosys is proud to advise that within the digital and technology workforce, we are sitting above the average for the number of women employed, with women composing 37% of all Knosys staff and 44% of executive, middle management, and Board of Director positions.



Outlook

Knosys enters FY23 with industry trends driving a healthy pipeline of opportunities for our portfolio of solutions to empower customers to make smarter connections with their information. Our annualised recurring revenue continues to grow and we are well funded to execute our growth strategy. Net operating cash flow is expected to improve in FY23, through increased operating leverage as revenues increase faster than operating expenditure and investment in growth.

I would like to thank our dedicated team for their hard work over the past year. And thanks also to our shareholders, for your ongoing support as we look forward to another strong year of growth ahead.

John Thompson
Managing Director

29 August 2022
Melbourne

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Board of Directors

Information on directors

HON. ALAN STOCKDALE AO NON-EXECUTIVE CHAIRMAN

Experience and expertise



Hon. Alan Stockdale AO
Non-Executive Chairman

Hon. Alan Stockdale AO served as Treasurer in the Victorian Government from 1992 to 1999 and his responsibilities included the Government reform agenda and general financial management. As Treasurer, Alan was responsible for the privatisation of \$A30 billion of Government business enterprises. He was also Minister for IT and Multimedia from 1996 to 1999, promoting Victoria as a leader in the application of multimedia and new information technologies.

In the private sector, Alan was employed by Macquarie Bank for a total of six years, co-leading the Macquarie team that successfully bid to acquire Sydney Airport. Taking on a number of other corporate advisory roles, he was involved in a wide range of infrastructure transactions, especially in the power, gas and transport sectors in Australia and overseas. Alan has developed a career as a company Chairman and director of a number of ASX-listed companies and of various unlisted companies and not-for-profit organisations. He is Chairman of X2M Connect Limited and has been Chairman of Axon Instruments Inc (incorporated in the USA and listed on the ASX), Symex Holdings Limited, Senetas Corporation Limited and a director of Marriner Financial Limited – all companies listed on the ASX. He was previously a consultant to Metro Trains, a consultant to Maddocks Lawyers, a member of the Advisory Board of Lazard Australia and Chairman of the Medical Research Commercialisation Fund. He was Federal President of the Liberal Party from 2008 to 2014. Alan holds a Bachelor of Laws and a Bachelor of Arts, both completed at the University of Melbourne, is a Barrister of the Supreme Courts of Victoria and NSW and the High Court of Australia and was a Fellow of the Australian Institute of Company Directors. Alan is based in Victoria and has been a director of Knosys since 30 April 2015.

Directorships held in other listed entities in the last 3 years

Nil

Interests in shares

500,000 ordinary shares

Interests in options

Nil Options

KATHRIN MUTINELLI

NON-EXECUTIVE DIRECTOR

Experience and expertise



Kathrin Mutinelli
Non-Executive Director

Kathrin Mutinelli is a strategist whose career has focused on organisational growth, specifically in Australia and across the APAC in multinational and culturally diverse environments. Advising leaders of global organisations on strategy such as Lockheed Martin, Sikorsky, Gulfstream and various Australian companies on capital requirements to fund growth such as WorkPac, The Blue Space, Stacked Farm, Zetaris, AirBolt and Alii.

As founder and Managing Director of SeventyTwo Capital, Kathrin works with a team of specialists to support Australia's most ambitious entrepreneurs and business leaders to realise their growth ambitions through strategy development and access to capital. She has also created a partnership with UQ to provide practical experience to BAFE students with an interest in investing and was a guest lecturer at Bond University on the topic of strategy.

Her skills were honed while a Director at Deloitte, refined through her MBA at RMIT, and developed further through the AICD and at the Harvard Business School where she completed her Corporate Director's Certificate which covered board effectiveness, compensation and risk committees.

Kathrin is based in Brisbane and has been a non-executive director at Knosys since 1 September 2021.

Directorships held in other listed entities in the last 3 years

Nil

Interests in shares

700,000 ordinary shares

Interests in options

Nil Options

NEIL WILSON

Experience and expertise



Neil Wilson
Non-Executive Director

Directorships held in other listed entities in the last 3 years

Interests in shares

Interests in options

NON-EXECUTIVE DIRECTOR

Neil Wilson is an experienced business leader and entrepreneur with corporate, startup, founder and public company experience, having held the position of Managing Director and Chief Executive Officer of Oakton Limited (ASX:OKN) for nine years, until its acquisition by Dimension Data in 2014. He is a practitioner in the digital and technology domain and has extensive experience in general management and CEO management across private and public company scenarios.

Neil was CEO of the Victoria Racing Club (VRC) for three and a half years and was appointed the VRC Chairman in November 2020. He is currently Chairman of Nexon and CharterX and is a Member of the Advisory boards for Clipboard, nimbus, Alex Solutions and InfoCentric. Neil holds a Bachelor of Business, is a CPA and a Member of the Australian Computer Society. Neil is based in Melbourne and has been a director since 1 December 2020.

Nil

750,000 ordinary shares

Nil Options

JOHN THOMPSON

Experience and expertise



John Thompson
Managing Director

Directorships held in other listed entities in the last 3 years

Interests in shares

Interests in options

MANAGING DIRECTOR

John Thompson (BEng Hons, MBA) has held the role of CEO since 18 July 2016. Mr. Thompson brings a wealth of leadership experience having worked for more than 20 years at the helm of renowned technology companies. Most recently, Mr. Thompson spent 11 years as CEO of Sigtec and 5 years as CEO of Wavenet International, in addition to 5 years with CS Communications and Systems in New York and London. Mr. Thompson received a first class honours degree in Engineering from the Queensland University of Technology and a Master of Business Administration from the City University Business School in London. Mr. Thompson has a strong record of driving sales and revenue and has extensive experience as a capable CEO providing pivotal leadership expertise across UK, US, Australia and New Zealand markets for multi-national, listed, IPO and start-up technology companies. John is based in Melbourne and has been a director since 26 September 2018.

Nil

2,417,857 ordinary shares

6,000,000 Options

Directors' Report



Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Knosys Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Knosys Limited during the period from 1 July 2021 to the date of this report, unless otherwise stated:

Hon. Alan Stockdale	Non-executive Chairman
John Thompson	Managing Director
Peter Pawlowitsch	Non-executive Director (retired 8 December 2021)
Kathrin Mutinelli	Non-executive Director
Neil Wilson	Non-executive Director

Each of Alan Stockdale, Kathrin Mutinelli and Neil Wilson are considered to be independent directors.

Review of operations

Refer to Managing Directors Report on page 23.

Principal activities

During the financial period the principal continuing activities of the consolidated entity were computer software development and licencing.

Dividends

No dividends were paid or declared during the financial year.

Significant changes in the state of affairs

During the year Knosys acquired the Libero library management business at a purchase price of \$5m. The consideration for the acquisition comprised a cash payment of \$4m and the issue of 6,896,551 fully paid ordinary shares to the vendor of the Libero business. The acquisition completed on 31 August 2021 and the Libero business has contributed to the consolidated revenues and net result of the group for ten months to 30 June 2022.

There were no significant changes in the state of affairs of the consolidated entity during the financial year, other than those matters mentioned above.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Knosys expects a continued expansion of the market and the adoption of its range of software solutions designed to boost productivity, collaboration and connectivity in the digital workplace. The Company is again well placed to expand its customer base and add to its offerings through internal developments and further advances in technologies.

The Company will receive the benefit of a full year contribution to revenues and net results from the Libero business in the year to 30 June 2023.

The consolidated entity has a significant sales pipeline in its global markets. The Company will continue to invest in sales and marketing capability in the year to June 2023 in order to enable the Company to pursue the multiple enterprise and mid-market opportunities in its sales pipeline, with the aim of converting them into subscription based contracts.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Refer to pages 21-22 of the annual report for director information.

Company Secretary and Chief Financial Officer

Stephen Kerr (BCom, CA, CS, FGIA) has held the role of CFO and Company Secretary since July 2015. Stephen Kerr is a qualified chartered accountant and chartered company secretary. He is an experienced CFO and governance professional, having held senior finance positions in private and publicly listed company environments across Australia and New Zealand for over 20 years. Stephen holds a Bachelor of Commerce from the University of Melbourne and is a current member of Chartered Accountants Australia and New Zealand and a Fellow of the Governance Institute of Australia.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held from 1 July 2021 to the year ended 30 June 2022, and the number of meetings attended by each director were:

	FULL BOARD	
	Attended	Held
Hon. Alan Stockdale	11	11
Peter Pawlowitsch	5	5
John Thompson	11	11
Kathrin Mutinelli	11	11
Neil Wilson	11	11

Held: represents the number of meetings held during the time the director held office.

Remuneration Report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. The executive remuneration framework is structured to be market competitive and complementary to the strategy of the consolidated entity.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. No such advice was sought for the financial year ended 30 June 2022. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The current maximum aggregate remuneration payable to non-executive directors of the consolidated entity in any financial year is \$500,000.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay, superannuation and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual performance and the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific targets and/or key performance indicators ('KPI's') being achieved. These targets are discussed in further detail in the description of service agreements which forms part of this Remuneration Report.

The long-term incentives ('LTI') include long service leave and share-based payments. Options are awarded to executives, vesting over a period of three years based on elapsed time and/or achievement of long-term incentive measures.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined revenue and earnings targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

In considering the performance of the consolidated entity and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous financial years.

	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Operating revenue	8,916,995	4,594,082	3,137,317	2,909,228	2,635,906
Profit / (loss) before transaction costs and income tax expense	(2,535,746)	15,525	(908,391)	(771,912)	(806,067)
Profit / (loss) attributable to owners of the parent entity	(3,050,548)	(543,838)	(908,391)	(771,912)	(806,067)
Dividends paid	-	-	-	-	-
Operating revenue growth	94.1%	46.4%	7.8%	10.8%	224.7%
Change in operating result	(461%)	40.1%	(17.7%)	4.2%	61.3%
Change in share price	(59%)	75%	(16%)	25%	(57%)
Return on capital employed	(32.5%)	(8.6%)	(30%)	(31%)	(69%)

Revenue and profit are two of the financial performance targets considered in setting the Short-Term Incentive (STI). Revenue and profit amounts have been calculated in accordance with Australian Accounting Standards (AASB's). Operating result is operating profit or loss as reported in the statement of profit or loss.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity during the year to 30 June 2022 consisted of the following directors of Knosys Limited:

- Alan Stockdale – Non-Executive Chairman
- Peter Pawlowitsch – Non-Executive Director (retired 8 December 2021)
- John Thompson – Managing Director
- Kathrin Mutinelli – Non-Executive Director
- Neil Wilson – Non-Executive Director

And the following persons:

- Stephen Kerr – Company Secretary and Chief Financial Officer

2022	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Alan Stockdale	76,250	-	-	6,250	-	-	82,500
Peter Pawlowitsch	22,020	-	-	2,202	-	-	24,222
Kathrin Mutinelli	50,227	-	-	5,023	-	-	55,250
Neil Wilson	55,000	-	-	-	-	-	55,000
Executive Director:							
John Thompson	308,381	73,000	44,247	26,487	13,269	298,906	764,290
Other Key Management Personnel:							
Stephen Kerr	248,003	48,000	10,205	27,497	12,012	166,130	511,847
	759,881	121,000	54,452	67,459	25,281	465,036	1,493,109

2021	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Alan Stockdale	74,304	-	-	4,446	-	-	78,750
Peter Pawlowitsch	47,945	-	-	4,555	-	-	52,500
Kathrin Mutinelli	41,857	-	-	3,976	-	35,000	80,833
Neil Wilson	32,083	-	-	-	-	35,000	67,083
Executive Director:							
John Thompson	298,801	57,500	15,112	24,000	6,773	-	402,186
Other Key Management Personnel:							
Stephen Kerr	189,242	37,000	30,275	20,608	12,915	-	290,040
	684,232	94,500	45,387	57,585	19,688	70,000	971,392

For the financial year, the actual proportions of fixed remuneration and of remuneration linked to performance are as follows:

2022	Fixed remuneration	At risk – STI	At risk – LTI
Non-Executive Directors:			
Alan Stockdale (Chairman)	100%	-%	-%
Peter Pawlowitsch	100%	-%	-%
Kathrin Mutinelli	100%	-%	-%
Neil Wilson	100%	-%	-%
Managing Director:			
John Thompson	51%	10% (13% available)	39%

Other Key Management Personnel:

Stephen Kerr	58%	9% (12% available)	33%
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2021	Fixed remuneration	At risk – STI	At risk – LTI
Non-Executive Directors:			
Alan Stockdale (Chairman)	100%	-%	-%
Peter Pawlowitsch	100%	-%	-%
Kathrin Mutinelli	57%	-%	43%
Neil Wilson	48%	-%	52%
Managing Director:			
John Thompson	86%	14% (22% available)	-%

Other Key Management Personnel:

Stephen Kerr	87%	13% (21% available)	-%
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Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	John Thompson
Title:	Chief Executive Officer
Agreement commenced:	18 July 2016
Term of agreement:	No fixed term
Details:	Annual base salary for the year ending 30 June 2022 of \$362,555 including superannuation. Remuneration to be reviewed annually by the Board, 6-month termination notice by either party, STI performance bonus of up to \$100,000 (including statutory superannuation) based on financial and non-financial KPI's, including achievement of budget, over achievement of budget, new sales orders, leadership, customer relations, investor relations, and product development. Non-disclosure, non-solicitation and non-compete clauses apply. An amount of \$73,000 relating to performance in the 2022 year was assessed as a bonus entitlement for the 2022 financial year.

Name:	Stephen Kerr
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	9 June 2015
Term of agreement:	No fixed term
Details:	Annual base salary for the year ending 30 June 2022 of \$276,232 including superannuation, employment is for four days per week during normal working hours on days agreed with the CEO and reasonable additional hours during these days in order to perform responsibilities and duties. Remuneration is to be reviewed annually by the Board, 3-month termination notice by either party, STI performance bonus of up to \$60,000 (including statutory superannuation) based on financial and non-financial KPI's, non-disclosure, non-solicitation and non-compete clauses. An amount of \$48,000 relating to performance in the 2022 year was assessed as a bonus entitlement in the 2022 financial year.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Loan funded shares

The terms and conditions of 1,625,000 loan funded shares granted in this financial year and which affect the remuneration of key management personnel in this financial year or future reporting years are as follows:

Grant date	Number of shares	Expiry date	Issue price	Fair value per loan share at grant date
October 2021	243,750	October 2026	15.0 cents	6.3 cents
October 2021	97,500	October 2026	15.0 cents	6.4 cents
October 2021	97,500	October 2026	15.0 cents	6.9 cents
October 2021	97,500	October 2026	15.0 cents	7.4 cents
October 2021	260,000	October 2026	15.0 cents	7.8 cents
October 2021	146,250	October 2026	15.0 cents	9.2 cents
October 2021	146,250	October 2026	15.0 cents	9.2 cents
October 2021	146,250	October 2026	15.0 cents	9.2 cents
October 2021	390,000	October 2026	15.0 cents	9.1 cents

No loan funded shares were granted to directors in this financial year or affected remuneration of directors in this financial year or future reporting years.

Participants acquire loan funded shares using a loan provided by the consolidated entity. The loan is interest-free and limited recourse in accordance with the loan terms. The loan shares are restricted securities. The loan terms require the loan to be repaid before a participant can receive any proceeds from the sale of their shares. Refer Note 25 in the notes to the financial statements, for further details and general terms of the loan funded shares.

Refer Note 25 in the notes to the financial statements, for further details and general terms of the loan funded shares.

Options

The terms and conditions of 7,775,000 options granted this financial year and which affect the remuneration of key management personnel in this financial year or future reporting years are as follows:

Grant date	Number of shares	Expiry date	Exercise price	Fair value per loan share at grant date
December 2021	1,166,250	July 2026	15.0 cents	7.3 cents
December 2021	466,500	July 2026	15.0 cents	7.3 cents
December 2021	466,500	July 2026	15.0 cents	7.7 cents
December 2021	466,500	July 2026	15.0 cents	8.3 cents
December 2021	1,244,000	July 2026	15.0 cents	8.7 cents
December 2021	699,750	July 2026	15.0 cents	10.1 cents
December 2021	699,750	July 2026	15.0 cents	10.1 cents
December 2021	699,750	July 2026	15.0 cents	10.1 cents
December 2021	1,866,000	July 2026	15.0 cents	10.0 cents

6,000,000 of the above options were granted to director, John Thompson in December 2021. These options and those issued to other key management personnel vest in accordance with the terms listed in Note 25 of the financial statements.

Shares issued on the exercise of options.

No ordinary shares of Knosys Limited were issued to key management personnel during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Cessation as a director	Forfeited	Balance at the end of the year
Ordinary shares					
Alan Stockdale	1,000,000	-	-	(500,000) ¹	500,000
Peter Pawlowitsch	2,181,578	-	(1,681,578)	(500,000) ¹	-
Kathrin Mutinelli	700,000	-	-	-	700,000
Neil Wilson	750,000	-	-	-	750,000
John Thompson	3,667,857	-	-	(1,250,000) ¹	2,417,857
Stephen Kerr	2,103,902	1,625,000 ¹	-	(500,000) ¹	3,228,902
	10,403,337	1,625,000	(1,681,578)	(2,750,000)	7,596,759

1. Shares granted issued or forfeited as loan funded shares in the current year.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Balance at the end of the year – vested	Balance at the end of the year – unvested	Balance at the end of the year
Options over ordinary shares					
John Thompson	-	6,000,000	1,260,000	4,740,000	6,000,000
Stephen Kerr	-	1,775,000	372,750	1,402,250	1,775,000
	-	7,775,000	1,632,750	6,142,250	7,775,000

There were no other transactions with key management personnel and their related parties

This concludes the remuneration report, which has been audited.

Options

At the date of this report, the unissued ordinary shares of Knosys Limited under option are as follows:

Date of expiry	Option type	Exercise price	Number under options
1 July 2026	unlisted	\$0.15	10,550,000

Each option carries no rights other than the right, once vested, to subscribe for one fully paid ordinary share at the exercise price. 2,000,000 options were exercised during the year.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

The Board is responsible for the maintenance of audit independence. Specifically, the Board Charter ensures the independence of the auditor is maintained by:

- limiting the scope and nature of non audit services that may be provided; and
- requiring that permitted non audit services must be pre approved by the Chairman of the Board.

During the year William Buck, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. The Board has considered the non audit services provided during the year by the auditor and in accordance with the advice provided by the Board, is satisfied that the provision of those non audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- The non audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) as they did not involve reviewing or auditing the auditors own work, acting in a management or decision making capacity for the consolidated entity, acting as an advocate for the consolidated entity or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the consolidated entity, William Buck, for audit and non audit services provided during the year are set out in Note 18.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

Auditor

William Buck Audit (VIC) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Hon. Alan Stockdale AO
Director

29 August 2022
Melbourne

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2022 there have been:

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

William Buck

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

Alan Finniss

A. A. Finniss
Director
Melbourne, 29 August 2022

Knosys empowers organisations.
Boosting productivity, collaboration and connectivity in the digital workplace.



Financial Statements

Consolidated

30 June 2022

ABN 96 604 777 862

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General information

The financial statements cover Knosys Limited as a consolidated entity consisting of Knosys Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Knosys Limited's functional and presentation currency.

Knosys Limited is listed on the Australian Securities Exchange (ASX:KNO) and is incorporated and domiciled in Australia.

Registered office and principal place of business

Part Level 8
31 Queen Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue on 29 August 2022, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income For the year ended 30 June 2022

	Notes	Consolidated	
		2022 \$	2021 \$
Revenue	3	8,916,995	4,594,082
Research and development tax refund		539,643	619,094
Other income		7,608	72,564
Expenses			
Licence fee and support expense		(1,189,504)	(615,753)
Payments to suppliers for research and development activities		(228,198)	(60,959)
Employee benefits expense	4	(7,613,162)	(3,505,224)
Depreciation and amortisation expense		(927,925)	(188,363)
Legal and accounting expense		(260,917)	(110,638)
Travel and accommodation expense		(147,439)	(26,676)
Finance costs		(9,600)	(15,398)
Administration and corporate expense		(1,623,247)	(747,204)
Profit / (Loss) before acquisition costs and income tax		(2,535,746)	15,525
Transaction costs related to acquisition of businesses	4	(499,196)	(559,363)
Loss before income tax		(3,034,942)	(543,838)
Income tax expense	5	(15,606)	-
Loss after income tax expense for the year attributable to owners of the Knosys Limited		(3,050,548)	(543,838)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(27,747)	(1,543)
Total comprehensive loss for the year attributable to owners of Knosys Limited		(3,078,295)	(545,381)
Loss per share for loss attributable to the owners of the parent		Cents	Cents
Basic and diluted loss per share	27	(1.44)	(0.32)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of financial position As at 30 June 2022

	Notes	Consolidated	
		2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents		3,095,702	6,532,415
Trade receivables	6	2,382,668	1,934,803
Accrued research and development tax refund receivable		550,000	500,000
Prepayments & sundry receivables	7	337,008	221,200
Total current assets		6,365,378	9,188,418
Non-current assets			
Intangible assets and goodwill	8	8,885,095	4,926,215
Buildings – Right-of-use asset	9	73,986	184,986
Plant and equipment	10	79,761	96,072
Total non-current assets		9,038,842	5,207,273
Total assets		15,404,220	14,395,691
Liabilities			
Current liabilities			
Trade and other payables	11	1,038,554	670,254
Provisions	12	741,667	500,608
Lease liability	13	94,705	134,853
Contract liabilities	14	4,534,870	2,893,063
Total current liabilities		6,409,796	4,198,778
Non-current liabilities			
Provisions	12	68,739	93,093
Lease liability	13	-	85,982
Total non-current liabilities		68,739	179,075
Total liabilities		6,478,535	4,377,853
Net assets		8,925,685	10,017,838
Equity			
Issued capital	15	17,488,521	16,149,271
Share based payments reserve	25	1,041,526	394,634
Foreign currency translation reserve		(29,290)	(1,543)
Accumulated losses		(9,575,072)	(6,524,524)
Total equity		8,925,685	10,017,838

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of changes in equity For the year ended 30 June 2022

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	8,312,409	556,216	(6,277,445)	2,591,180
Loss after income tax expense for the year	-	-	(543,838)	(543,838)
Foreign currency translation	-	(1,543)	-	(1,543)
Total comprehensive loss for the year	-	(1,543)	(543,838)	(545,381)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (Note 15)	7,836,862	-	-	7,836,862
Share based payments (Note 25)	-	135,177	-	135,177
Transfer from share based payments reserve to accumulated losses on expiry of share based remuneration instruments	-	(296,759)	296,759	-
Balance at 30 June 2021	16,149,271	393,091	(6,524,524)	10,017,838

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	16,149,271	393,091	(6,524,524)	10,017,838
Loss after income tax expense for the year	-	-	(3,050,548)	(3,050,548)
Foreign currency translation	-	(27,747)	-	(27,747)
Total comprehensive loss for the year	-	(27,747)	(3,050,548)	(3,078,295)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (Note 15)	1,265,250	-	-	1,265,250
Share based payments (Note 25)	-	720,892	-	720,892
Transfer from share based payments reserve to issued capital on realisation of share based remuneration instruments	74,000	(74,000)	-	-
Balance at 30 June 2022	17,488,521	1,012,236	(9,575,072)	8,925,685

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows For the year ended 30 June 2022

Notes	Consolidated	
	2022 \$	2021 \$
Cash flows from operating activities		
Receipts from customers	9,305,715	4,908,218
Payments to suppliers and employees	(9,998,059)	(4,997,663)
Research and development tax refund	489,643	615,052
Interest received	7,608	19,905
Interest paid	(9,600)	(15,398)
Grant revenue	-	50,000
Tax paid	(15,606)	-
Net cash (used in) / from operating activities	24	580,114
Cash flows from investing activities		
Cash (paid) / received on acquisition of business	(2,726,183)	1,482,025
Payment of transaction costs related to acquisition of businesses	(569,857)	(559,363)
Payments for plant and equipment	(59,494)	(32,148)
Net cash (used in) / from investing activities	(3,355,534)	890,514
Cash flows from financing activities		
Repayment of lease liability	(126,130)	(118,954)
Proceeds from issue of shares	265,250	3,000,000
Share issue transaction costs	-	(155,168)
Net cash from financing activities	139,120	2,725,878
Net increase (decrease) in cash and cash equivalents	(3,436,713)	4,196,506
Cash and cash equivalents at the beginning of the financial year	6,532,415	2,335,909
Cash and cash equivalents at the end of the financial year	3,095,702	6,532,415

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

30 June 2022

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The consolidated entity has assessed that these new or amended Accounting Standards and Interpretations will not have any material effect on the financial statements of the company for this reporting period.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Legal Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity is disclosed in Note 21.

Principles of consolidation

A controlled entity is any entity controlled by an accounting acquirer. Control exists where an entity has the capacity and power to govern the decision-making in relation to the financial and operating policies of an investee and also participate in the variable returns of that investee.

All inter-group balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies adopted by the parent entity.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Knosys Limited's presentation currency. The consolidated entity operates in functional currencies relative to the specific geographical location of the entity within the consolidated entity.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of

- (i) 12 months from the date of the acquisition or
- (ii) when the acquirer receives all the information possible to determine fair value.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

The consolidated entity earns revenues from its software services. Of these, a portion relates to licensing and support of its software, which is performed over a period of time and for which revenue is recognised over a period of time due to the customer only having a right of access over the software throughout the contract period. For software implementation services provided to the customer, which is specified in the customer contract, revenue is recognised over time as that implementation is performed.

Research and development tax refund income

Research and development tax refund income is measured on an accruals basis when the refund can be reliably determined.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Refer to Note 26 segment note for a disaggregation of revenue per geographical location.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment, doubtful debts and rebates. Trade receivables are generally due for settlement within 30 days.

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months. The Group has adopted the simplified approach to recognizing an ECL for trade and other receivables. Based on the nature of the Groups' business there have been no credit losses recorded in the previous financial periods and non are expected in future periods and thus no ECL has been recorded. The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses.

When a trade receivable, for which an impairment allowance had been recognised, becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss. If significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items of plant and equipment. Any gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

Depreciation

Depreciation is calculated to write off the costs of the items of plant and equipment over their estimated useful lives and is generally recognised in profit and loss. Depreciation methods and useful lives are reviewed at each reporting period and adjusted if appropriate.

The estimated useful life of plant and equipment for current and comparative periods is 3 years.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable; any lease payment made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. When the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with a term of 12 months or leases of low-value assets. Lease payments on these assets are expenses to profit or loss as incurred.

Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period, which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are expensed as they have not satisfied the requirement for capitalisation under AASB 138 – *Intangible assets*.

Impairment of non-financial assets

At each reporting date, the consolidated entity's Directors review the carrying values of the consolidated entity's tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

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

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes option pricing model or the Binomial Option Valuation model each of which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Contract liabilities

Revenue billed in advance represents contract liabilities that the consolidated entity is obliged to transfer services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payment to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following; future lease payments arising from a change in an index or a rate used, residual guarantees, lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the following right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Loss per share

Basic loss per share is calculated as net profit/loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares on issue during the relevant period.

Diluted Loss per share is calculated as net profit/loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element, during the relevant period.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended and that have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2022 are listed below. The consolidated entity has assessed that these new or amended Accounting Standards and Interpretations will not have a material effect on the financial statements of the company for the reporting period commencing 1 July 2022.

Standard	Mandatory date for annual reporting periods beginning on or after	Standard to be adopted by the company for the reporting period beginning
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of liabilities as Current or Non-Current	1 January 2023	1 July 2023
AASB 2020 -3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments	1 January 2022	1 July 2022
AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current liabilities as Current or Non-current - Deferral of Effective Date	1 January 2022	1 July 2022
AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2023
AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 July 2023
AASB 2014-10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 July 2025

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The following key judgements are relevant to these financial statements:

Estimation of accrued research and development tax refund

As at 30 June 2021 the consolidated entity had accrued \$500,000 in accrued research and development tax refund credits in-respect of the 2021 tax return. The directors of the consolidated entity engaged an industry expert to prepare and lodge this return. An amount of \$489,643 was receipted into the bank in June 2022 in regard to the 2021 tax return and R&D claim. Based upon the methodology adopted by the industry expert, the consolidated entity has accrued a research and development tax refund receivable of \$550,000 for the 2022 financial year. Key matters considered by the directors in calculating this accrual included the following:

- The historical success of lodging and receipting such claims;
- The quantum of eligible research and development spend made during the period; and
- A consideration of any potential change in the assessment of eligibility criteria as gazetted by the Federal government.

Share based payments

As stated in Note 1, the consolidated entity has issued options and loans shares to directors, executives and staff as part of their remuneration arrangements and has issued options and shares to third parties in consideration for consultancy services received. Management judgements and estimates are required in determining the cost of these equity-settled transactions which have been measured by taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Business combinations

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent and future sales experience and historical collection rates.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Revenue

	Consolidated	
	2022 \$	2021 \$
Sales revenue		
Licence and support fees	8,298,529	3,771,143
Rendering of services	618,466	822,939
Revenue	8,916,995	4,594,082

Note 4. Expenses

	Consolidated	
	2022 \$	2021 \$
Loss before income tax includes the following specific expenses:		
Transaction costs related to acquisition of businesses	499,196	559,363
Transaction costs incurred mainly relate to the acquisition of the LIBERO business, which completed on 31 August 2021, and also relate to residual costs for the acquisition of Greenorbit Pty Ltd, which completed on 30 March 2021.		
Employee benefits expense		
Superannuation expense – Accumulation fund	408,650	238,921
Share based payments expense	720,892	135,177

Note 5. Income tax expense

	Consolidated	
	2022 \$	2021 \$
Income tax expense		
Current Tax benefit	(318,250)	9,442
Deferred tax – origination and reversal of temporary differences	(19,210)	(23,316)
Deferred tax assets not recognised	353,066	13,874
Aggregate income tax expense	15,606	-
Unrecognised deferred tax assets		
Unused tax losses for which no deferred tax asset has been recognised	880,076	527,010
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,034,942)	(543,838)
Tax at the statutory tax rate of 25% (30 June 2021 26%)	(758,735)	(141,398)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	5,700	3,133
Research and development costs	305,556	288,889
Share based payments expense	177,723	35,146
Sundry items	51,601	(38,679)
Non-assessable R&D refund	(134,911)	(160,965)
	(353,066)	(13,874)
Deferred tax assets not recognised	353,066	13,874
Income tax paid in foreign jurisdiction	15,606	-
Income tax expense	15,606	-

Note 6. Current assets – trade receivables

	Consolidated	
	2022 \$	2021 \$
Trade receivables	2,382,668	1,934,803

The aging analysis of trade receivables is as follows:

	Total \$	Neither past due nor impaired \$	Past due but not impaired			
			< 30 days \$	30–60 days \$	61–90 days \$	90+ days \$
2022	2,382,668	2,150,082	129,391	94,401	5,219	3,575
2021	1,934,803	1,839,491	-	69,462	25,850	-

As at 30 June 2022 no trade receivables were impaired (2021: Nil)

Refer Note 1 – Trade and other receivables, which explains how the consolidated entity manages and accounts for trade receivables.

Note 7. Prepayments and other receivables

	Consolidated	
	2022 \$	2021 \$
Prepayments	311,231	207,749
Other receivables	25,777	13,451
	337,008	221,200

Note 8. Intangibles

Reconciliations of the carrying values of each class of intangibles at the beginning and end of the current financial period, for the consolidated entity, are as follows:

	Goodwill \$	Customer contracts \$	Marketing assets \$	Consolidated Total \$
Carrying value at 1 July 2021 (restated)	1,603,215	3,033,000	290,000	4,926,215
Additions – Refer Note 28	1,700,000	2,500,000	500,000	4,700,000
Amortisation	-	(585,732)	(155,388)	(741,120)
Carrying value at 30 June 2022	3,303,215	4,947,268	634,612	8,885,095
Cost as at 30 June 2022	3,303,215	5,533,000	790,000	9,626,215
Accumulated Amortisation at 30 June 2022	-	(585,732)	(155,388)	(741,120)
Carrying value at 30 June 2022	3,303,215	4,947,268	634,612	8,885,095

The opening balance of intangibles arose in respect to the acquisition of Greenorbit Pty Ltd (GO) in March 2021. At 30 June 2021 the consolidated entity was in the process of conducting a valuation of the split of this intangible balance between identifiable and unidentifiable intangible assets. Under Australian Accounting Standards the consolidated entity has a period of up to 12 months from acquisition date to complete this exercise. For the purpose of the financial report for the year ended 30 June 2021 the entire balance was recognised as Goodwill. The valuation of intangibles in respect of GO was completed

by an independent expert in this financial period and identifiable intangibles were reclassified to Customer Contracts and Marketing Assets and are disclosed above as at 30 June 2022.

In accordance with relevant accounting standards, the completion of the provisional accounting resulted in measurement period adjustments related to matters concerned where the facts and circumstances existed at the acquisition date. If the matters had been known at the time, the information would have affected the acquisition accounting. As a result, the current annual financial report has disclosed a revision to the acquisition accounting previously disclosed for the following account balances:

1. An external valuation and allocation of the purchase price resulting in the recognition of a number of specific identifiable intangible assets as outlined above which has impacted the previously stated balance of goodwill. This resulted in a reallocation of goodwill to specific identifiable intangible assets of Customer contracts of \$3,033,000 and Marketing assets of \$290,000.

During the financial period additional intangible balances arose in respect of the acquisition of the LIBERO business in August 2021. A valuation of intangibles in respect of LIBERO was completed by an independent expert in this financial period and identifiable intangibles were classified as disclosed above and as per Note 28.

The Customer Contracts and Marketing Assets are identifiable intangible assets and are subject to amortisation, at annual rates of 10% and 20% respectively, as determined by the company, with effect from acquisition date.

Impairment of intangibles

All intangible assets are assessed at each reporting period for indicators of impairment. The consolidated entity operates as a single operating segment and cash generating unit being a developer and licensor of computer software. Intangible assets with an indefinite useful life are assessed for impairment under this cash generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections for the next five years. The cash flows are discounted using estimated discount rate based on Capital Asset Pricing Model adjusted to incorporate risks associated with the software development sector.

Management has based the value-in-use calculations on five-year budget forecasts of the software developer and licencing business. Revenue has been projected on the below mentioned assumptions. Costs are calculated taking into account historical gross margins as well as estimated weighted inflation rates over the period which is consistent with inflation rates applicable to the locations in which the unit operates. Discount rates are pre-tax and reflect risks associated with the software development business.

The following assumptions were used in the value-in-use-calculations:

- a. Revenue growth for year 1 is based on the Board approved budget of the consolidated entity, which includes the impact of a full 12 months of revenue generation from the GreenOrbit and Libero businesses. A revenue growth rate of 10% has been estimated for years 2 to 5 of the model. This is a conservative estimate on the future growth of the business.
- b. Projected cash flows have been discounted using a pre-tax discount rate of 13.7% (2021: 15%).
- c. An annual growth rate of 2.5% (2021: 2.5%) has been estimated in the calculation of terminal value.

Based on the above assumptions, the recoverable amount of the cash generating unit has been determined to exceed its carrying amount as at 30 June 2022 and accordingly, no impairment loss has been recognised.

Sensitivity to changes in assumptions

The impairment model is most sensitive to the following assumptions:

- Revenue forecasts assumption;
- Employment costs; and
- Discount rate.

No reasonable possible change in assumptions would result in an impairment charge being recognised.

Note 9. Right of use asset

	Consolidated	
	2022 \$	2021 \$
Buildings – right-of-use	406,980	406,980
Accumulated depreciation	(332,994)	(221,994)
	73,986	184,986

The consolidated entity leases its Melbourne based head office under an agreement of four years duration. The lease has an annual 3.75% escalation clause. The consolidated entity leased two serviced offices under specific agreements. These agreements had short-term month to month lease arrangements and are of low-value, so have been expensed as incurred and not capitalised as right-of-use assets and are not considered material to the consolidated entity.

Note 10. Plant and equipment

Reconciliations of the carrying values of each class of property, plant and equipment at the beginning and end of the current and previous financial years, for the consolidated entity, are as follows:

	Furniture & fittings \$	Office equipment \$	Consolidated Total \$
Carrying value at 1 July 2020	99,080	27,960	127,040
Additions	4,240	27,908	32,148
Acquired via business combination	-	14,298	14,298
Depreciation	(56,786)	(20,628)	(77,414)
Carrying value at 30 June 2021	46,534	49,538	96,072
Cost as at 30 June 2021	165,253	179,339	344,592
Accumulated depreciation at 30 June 2021	(118,719)	(129,801)	(248,520)
Carrying value at 30 June 2021	46,534	49,538	96,072
Additions	8,110	50,529	58,639
Depreciation	(48,641)	(26,309)	(74,950)
Carrying value at 30 June 2022	6,003	73,758	79,761
Cost as at 30 June 2022	173,363	229,868	403,231
Accumulated depreciation at 30 June 2022	(167,360)	(156,110)	(323,470)
Carrying value at 30 June 2022	6,003	73,758	79,761

Note 11. Current liabilities – trade and other payables

	Consolidated	
	2022 \$	2021 \$
Trade payables	150,929	203,556
Other payables	887,625	466,698
	1,038,554	670,254

The table below summarises the maturity profile of the consolidated entities current trade and other payables.

	Total \$	On demand \$	< 3 months \$	3 to 12 months \$
2022	150,929	-	146,740	4,189
2021	203,556	-	203,556	-

Refer Note 1 – Trade and other payables, which explains how the consolidated entity manages and accounts for trade and other payables.

Note 12. Provisions

	Consolidated	
	2022 \$	2021 \$
Provision for employee benefits – current		
Provision for employee benefits – current	741,667	500,608
Provision for employee benefits – non-current		
Provision for employee benefits – non-current	68,739	93,093

Note 13. Lease liabilities

	Consolidated	
	2022 \$	2021 \$
Lease Liability – current		
Lease liability – current	94,705	134,853
Lease Liability – non-current		
Lease liability – non-current	-	85,982

Note 14. Current liabilities – Contract liabilities

	Consolidated	
	2022 \$	2021 \$
Contract liabilities	4,534,870	2,893,063
Reconciliation of the values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	2,893,063	1,490,640
Amounts billed in advance during the year, where the performance obligations were and will be satisfied over the FY22 and FY23 years	7,465,040	2,309,172
Balances acquired on acquisition of business refer Note 28	1,081,918	1,417,162
Transfer to revenue – performance obligations satisfied	(6,905,151)	(2,323,911)
	4,534,870	2,893,063

Note 15. Equity – issued capital

	Consolidated	
	2022 \$	2021 \$
Ordinary shares – fully paid	17,488,521	16,149,271

Movements in ordinary share capital

Details	Date	No. of shares Legal Parent 2022	No. of shares Legal Parent 2021
Legal parent			
Balance at start of year		207,242,147	148,835,576
Issue of share capital to shareholders pursuant to placement	24 Dec 2020	-	20,778,571
Issue of share capital to shareholders pursuant to placement	15 Feb 2021	-	650,000
Issue of share capital to shareholder on completion of acquisition of GreenOrbit Pty Ltd	31 Mar 2021	-	36,978,000
Issue of share capital to shareholder on completion of acquisition of Libero business	31 Aug 2021	6,896,551	-
Issue of share capital to shareholders on exercise of options	16 Dec 2021	2,000,000	-
Balance at end of year		216,138,698	207,242,147

Details	Date	2022 \$	2021 \$
Consolidated entity			
As at start of the financial year		16,149,271	8,312,409
Issue of share capital to shareholders pursuant to placement	24 Dec 2020	-	2,909,000
Issue of share capital to shareholders pursuant to placement	15 Feb 2021	-	91,000
Issue of share capital to shareholder on completion of acquisition of GreenOrbit Pty Ltd	31 Mar 2021	-	4,992,030
Issue of share capital to shareholder on completion of acquisition of Libero business	31 Aug 2021	1,000,000	-
Repayment of loan on loan funded shares	8 Dec 2021	25,250	-
Issue of share capital to shareholders on exercise of options	16 Dec 2021	240,000	-
Transfer from share-based payments reserve	31 Dec 2021	74,000	-
Costs of issuing shares		-	(155,168)
Balance as at end of the financial year		17,488,521	16,149,271

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Movements in options on issue

Details	Date	No. of options Legal Parent 2022	No. of options Legal Parent 2021
Legal parent			
Balance at start of year		2,000,000	3,550,000
Options expired / lapsed		-	(1,550,000)
Options exercised	16 Dec 2021	(2,000,000)	-
Options issued during the year	23 Dec 2021	10,550,000	-
Balance at end of year		10,550,000	2,000,000

During the period 2,000,000 options (all of which were vested) were exercisable at \$0.12 on 16 December 2021.

During the period 6,000,000 options were issued to a director, pursuant to shareholder approval at the 8 December 2021 Annual General Meeting, and 4,550,000 options were issued to executives and staff pursuant to the Knosys Limited Employee Incentive Plan. All options are unlisted and are subject to a range of vesting conditions. Refer Note 25.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 16. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to two financial risks: credit risk and liquidity risk. The consolidated entity's overall risk management program, which is managed at Board level, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include ageing analysis for credit risk and cash flow forecasting for liquidity risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable. All amounts payable are within agreed terms. All third party payment terms are less than 60 days (2021: less than 60 days).

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. All liabilities are to be settled within 12 months except for lease liabilities which are to be settled as per the following categories:

	Consolidated	
	2022 \$	2021 \$
Lease liabilities		
Payable at the reporting date:		
Within 6 months	71,398	62,721
6 to 12 months	23,307	66,092
1 to 5 years	-	92,018
	94,705	220,831

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity monitors the materiality of foreign exchange transactions and balances and manages any material exposures to foreign exchange rate fluctuations. At balance date there were no material foreign currency risks.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reasonably approximate their fair value.

Note 17. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and key management personnel of the consolidated entity is set out below:

	Consolidated	
	2022 \$	2021 \$
Short-term employee benefits	935,333	824,119
Share based payments	465,036	70,000
Post-employment benefits	67,459	57,585
Long-term benefits	25,281	19,688
	1,493,109	971,392

Note 18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (VIC) Pty Ltd ("William Buck"), the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2022 \$	2021 \$
<i>Assurance services – William Buck</i>		
Audit or review of the financial statements	51,800	40,300
<i>Other services – William Buck</i>		
Taxation advice	17,883	9,463
Acquisition due diligence services	-	10,000

Note 19. Contingent liabilities

The consolidated entity has no material contingent liabilities at reporting date.

Note 20. Related party transactions

Legal parent entity

Knosys Limited is the legal parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 22.

Key management personnel

Disclosures relating to key management personnel are set out in Note 17 and the remuneration report in the directors' report.

Note 21. Legal parent entity information

Set out below is the supplementary information about the legal parent entity.

Statement of profit or loss and other comprehensive income

	Legal Parent	
	2022 \$	2021 \$
Loss after income tax	(1,033,657)	(377,631)
Total comprehensive loss	(1,033,657)	(377,631)

Statement of financial position

	Legal Parent	
	2022 \$	2021 \$
Total current assets	1,988,386	5,350,307
Total assets	18,362,237	17,503,501
Total current liabilities	15,648	99,396
Total liabilities	15,648	99,396
Equity		
Issued capital	24,623,643	23,284,393
Reserves	1,031,526	394,634
Accumulated losses	(7,308,580)	(6,274,922)
Total equity	18,346,589	17,404,105

Contingent liabilities

The legal parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments – Property, plant and equipment

The legal parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the legal parent entity are consistent with those of the consolidated entity, as disclosed in Note 1. The group does not designate any interests in subsidiaries as being subject to the requirements of accounting standards specifically applicable to financial statements.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of Knosys Limited and the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Knosys Solutions Pty Ltd Principal activities – Operating company for the Knosys knowledge management business, providing operational infrastructure, employees, sales resources, Knosys Platform research, development and customer support.	Australia	100%	100%
Knosys Products Pty Ltd Principal activity – Holder of the Knosys Platform intellectual property.	Australia	100%	100%
Knosys Asia Pte Ltd (incorporated 7 August 2019) Principal activity – Provider of sales and marketing resources to sell Knosys Platform in Singapore and surrounding regions.	Singapore	100%	100%
Greenorbit Pty Ltd – Acquired 30 March 2021 Principal activity – Australian operating company of the GreenOrbit business, providing operational infrastructure, employees, sales resources, research, development and customer support	Australia	100%	100%

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Greenorbit Inc. – Acquired 30 March 2021 Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in USA	United States	100%	100%
Greenorbit Software Limited – Acquired 30 March 2021 Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in UK	United Kingdom	100%	100%
Greenorbit Software Pvt Ltd – Acquired 30 March 2021 Principal activity – Provider of customer support to GreenOrbit customers and software development services to the GreenOrbit business	India	100%	100%
Libero Systems Pty Ltd – Incorporated on 24 June 2021 Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in UK	Australia	100%	100%
Libero IS GmbH – Acquired 31 August 2021 Principal activity – Provider of sales resources for the Libero business and customer support to Libero customers	Germany	100%	-

Note 23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 24. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2022 \$	2021 \$
Loss after income tax expense for the year	(3,050,548)	(543,838)
Adjustments for:		
Depreciation and amortisation	927,925	188,364
Share based payments expense	720,892	135,177
Transaction costs related to acquisition of businesses	499,196	559,363
Change in operating assets and liabilities (the changes in 2022 include the movements in balances acquired via the acquisition of the Libero business during the financial period):		
Decrease/(increase) in trade receivables	(171,169)	(37,473)
Increase/(decrease) in revenue billed in advance	559,889	(14,739)
(Increase) in accrued research and development tax refund receivable	(50,000)	(4,042)
(Increase)/decrease in prepayments and other debtors	(59,046)	45,260
Increase in trade and other payables	345,894	167,261
(Decrease) in foreign currency translation reserves	(27,747)	-
Increase in provision for employee benefits	84,415	84,781
Net cash used in operating activities	(220,299)	580,114

Note 25. Share-based payments

Loan funded share plan and loan funded shares

A loan funded share plan (LFSP) has been established by the consolidated entity, whereby the consolidated entity may, at the discretion of the Board, issue loan funded fully paid ordinary shares in the company to personnel of the consolidated entity. Participants acquire loan funded shares using a loan provided by the consolidated entity. The loan is interest-free and limited recourse in accordance with the loan terms and the LFSP rules. The LFSP rules require the loan to be repaid before a participant can receive any proceeds from the sale of their shares. The Board has the discretion to impose such vesting conditions in relation to the loan funded shares as it deems appropriate. These may include conditions relating to continued employment or service, performance (of the participant, the consolidated entity or the share price) and the occurrence of specific events. The consolidated entity has also issued loan funded fully paid ordinary shares in the company to directors and executives on the same terms as the LFSP. The issuing of these loan funded shares gives rise to an ongoing employment benefit expense each financial period and this is accounted for in accordance with the accounting policy on employee benefits, as detailed in Note 1. The expense is included in the share-based payment expense amount listed in Note 4.

As at 30 June 2022 the following loan funded shares had been granted:

Grant date	Issue date	Loan expiry date	Issue price	Balance at 30 June 2021 Number	Issued during the period Number	Loan repaid during the period Number	Forfeited during the period Number	Balance at 30 June 2022 Number	Vested at end of the period Number
28/11/2017	19/02/2018	27/11/2022	\$0.06	1,200,000	-	-	-	1,200,000	1,200,000
30/01/2018	19/02/2018	18/02/2023	\$0.10	1,600,000	-	-	-	1,600,000	1,600,000
26/11/2018	24/12/2018	26/11/2023	\$0.08	250,000	-	-	-	250,000	250,000
24/12/2018	24/12/2018	24/12/2023	\$0.08	550,000	-	-	-	550,000	550,000
27/11/2019	29/11/2019	29/11/2024	\$0.101	5,400,000	-	250,000	3,250,000	1,900,000	1,900,000
27/01/2021	15/02/2021	14/02/2026	\$0.175	1,000,000	-	-	-	1,000,000	1,000,000
29/01/2021	15/02/2021	14/02/2026	\$0.175	500,000	-	-	-	500,000	375,000
04/06/2021	29/06/2021	28/06/2026	\$0.175	725,000	-	-	-	725,000	543,750
05/10/2021	14/10/2021	13/10/2026	\$0.15	-	3,250,000	-	-	3,250,000	682,500
Total				11,225,000	3,250,000	250,000	3,250,000	10,975,000	8,101,250
Weighted average issue price				\$0.110				\$0.124	\$0.114

The 3,250,000 loan shares granted to participants during the period were sourced from forfeited loan shares, transferred from the relevant participants.

Loan Shares granted to executives and employees

During the period 3,250,000 loan shares were granted to executives and employees pursuant to the Knosys Loan Funded Share Plan. The loan shares have been valued by an independent expert as of issue date and have vesting criteria based on achieving employment service periods and on meeting future Volume Weighted Average Price ("VWAP") performance of Knosys shares. Detail are as follows:

Tranche	Number of Loan Shares	Service based vesting date	Fair value per share at issue date	Total fair value at issue date
Tranche 1	195,000	Vested on issue	\$0.063	\$12,285
Tranche 2	195,000	Vested on 1 January 2022.	\$0.064	\$12,480
Tranche 3	195,000	To vest on 1 July 2022.	\$0.069	\$13,455
Tranche 4	195,000	To vest on 1 January 2023.	\$0.074	\$14,430
Tranche 5	520,000	To vest on 1 July 2023.	\$0.078	\$40,560
Total	1,300,000			\$93,210

Tranche	Number of Loan Shares	Service based vesting date	Fair value per share at issue date	Total fair value at issue date
Tranche 1	292,500	Vested on issue	\$0.063	\$18,428
Tranche 2	292,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.190 before 1 July 2024	\$0.092	\$26,910
Tranche 3	292,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.230 before 1 July 2024	\$0.092	\$26,910
Tranche 4	292,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.275 before 1 July 2024	\$0.092	\$26,910
Tranche 5	780,000	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.325 before 1 July 2024	\$0.091	\$70,980
Total	1,950,000			\$170,138

The valuation model inputs used by the independent valuer were as follows:

Grant date	Loan expiry date	Share price at grant date	Issue price	Marketability discount	Expected volatility	Dividend yield	Risk-free interest rate
05/10/2021	13/10/2026	\$0.14	\$0.150	0.00%	80%	0.00%	0.790%

As at 30 June 2021 the following loan funded shares had been granted:

Grant date	Issue date	Loan expiry date	Issue price	Balance at 30 June 2020 Number	Issued during the period Number	Sold during the period Number	Forfeited during the period Number	Balance at 30 June 2021 Number	Vested at end of the period Number
28/11/2017	19/02/2018	27/11/2022	\$0.06	1,200,000	-	-	-	1,200,000	1,200,000
30/01/2018	19/02/2018	18/02/2023	\$0.10	1,600,000	-	-	-	1,600,000	1,600,000
26/11/2018	24/12/2018	26/11/2023	\$0.08	250,000	-	-	-	250,000	250,000
24/12/2018	24/12/2018	24/12/2023	\$0.08	550,000	-	-	-	550,000	550,000
27/11/2019	29/11/2019	29/11/2024	\$0.101	6,500,000	-	-	1,625,000	4,875,000	1,625,000
27/11/2019	29/11/2019	29/11/2024	\$0.101	1,125,000	-	-	600,000	525,000	525,000
27/01/2021	15/02/2021	14/02/2026	\$0.175	-	1,000,000	-	-	1,000,000	1,000,000
29/01/2021	15/02/2021	14/02/2026	\$0.175	-	500,000	-	-	500,000	-
04/06/2021	29/06/2021	28/06/2026	\$0.075	-	725,000	-	-	725,000	-
Total				11,225,000	2,225,000	-	2,225,000	11,225,000	6,750,000
Weighted average issue price				\$0.095				\$0.110	\$0.102

For the loan funded shares issued during the 2021 financial year, the valuation model inputs used to determine the fair value at each vesting date, were as follows:

Grant date	Loan expiry date	Share price at grant date	Issue price	Marketability discount	Expected volatility	Dividend yield	Risk-free interest rate
27/01/2021	14/02/2026	\$0.195	\$0.175	0.00%	82%	0.00%	0.37%
29/01/2021	14/02/2026	\$0.165	\$0.175	0.00%	82%	0.00%	0.378%
04/06/2021	28/06/2026	\$0.125	\$0.175	0.00%	80%	0.00%	0.705%

Options issued to Directors, executives and employees

Employee Incentive Plan – Options

The Knosys Limited Employee Incentive Plan (EIP) was established by the consolidated entity pursuant to shareholder approval at the 8 December 2021 Annual General Meeting, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the company to personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with time based and/or performance targets established by the Board. The consolidated entity has also issued options in the company to a director on the same terms as options issued under the EIP. The granting of these options gives rise to an ongoing employment benefit expense each financial period and this is accounted for in accordance with the accounting policy on employee benefits, as detailed in Note 1. The expense is included in the share-based payment expense amount listed in Note 4.

As at 30 June 2022 the following options had been granted:

Option grant date	Option expiry date	Exercise price	Balance at 30 June 2021 Number	Issued during the period Number	Exercised during the period Number	Expired or forfeited during the period Number	Balance at 30 June 2022 Number	Vested and exercisable at end of the period Number
8/12/2021	01/07/2026	\$0.15	-	10,550,000	-	-	10,550,000	2,215,500
Weighted average exercise price			-				\$0.15	\$0.15

Options issued to Directors, Executives and Employees

During the year 6,000,000 options were issued to a director, pursuant to shareholder approval at the 8 December 2021 Annual General Meeting, and 4,550,000 options were issued to executives and staff pursuant to the Knosys Limited Employee Incentive Plan. The options have been valued by and independent expert as of issue date and have vesting criteria based on achieving employment service periods and on meeting future Volume Weighted Average Price ("VWAP") performance of Knosys shares. Details are listed below. The granting of these options gave rise to an ongoing employment benefit expense each financial period and this is accounted for in accordance with the accounting policy on employee benefits, as detailed in Note 1. The expense is included in the share-based payment expense amount listed in Note 4.

Tranche	Number of Options	Service based vesting conditions	Fair value per option at grant date	Total fair value at grant date
Tranche 1	633,000	Vested on issue	\$0.073	\$46,209
Tranche 2	633,000	Vested on 1 January 2022.	\$0.073	\$46,209
Tranche 3	633,000	To vest on 1 July 2022.	\$0.077	\$48,741
Tranche 4	633,000	To vest on 1 January 2023.	\$0.083	\$52,539
Tranche 5	1,688,000	To vest on 1 July 2023.	\$0.087	\$146,856
Total	4,220,000			\$340,554

Tranche	Number of Options	Service based vesting conditions	Fair value per option at grant date	Total fair value at grant date
Tranche 1	949,500	Vested on issue	\$0.073	\$69,314
Tranche 2	949,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.190 before 1 July 2024	\$0.101	\$95,900
Tranche 3	949,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.230 before 1 July 2024	\$0.101	\$95,900
Tranche 4	949,500	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.275 before 1 July 2024	\$0.101	\$95,900
Tranche 5	2,532,000	To vest subject to Knosys shares achieving a 20-day VWAP of AU\$0.325 before 1 July 2024	\$0.100	\$253,200
Total	6,330,000			\$610,212

The valuation model inputs used by the independent valuer were as follows:

Grant date	Option expiry date	Share price at grant date	Exercise price	Marketability Discount	Expected volatility	Dividend yield	Risk-free interest rate
08/12/2021	01/07/2026	\$0.15	\$0.150	0.00%	80%	0.00%	1.355%

The Options are not transferrable or tradeable. The Options will not automatically convert to Shares upon satisfaction of the above vesting criteria, but rather the holder of the Options must complete a notice of exercise to convert the Options to Shares, deliver this notice to the Company and pay the requisite exercise price for each Option exercised.

2,000,000 broker options, which were exercised during the year, did not form part of this plan.

As at 30 June 2021 there were no options granted to Directors or executives.

Note 26. Segment information

Identification of reportable operating segments

The consolidated entity has one operating segment, being a developer and licensor of computer software, however it operates across multiple geographical regions. The operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Geographical information

	Sales to external customers		Geographical non-current assets	
	June 2022 \$	June 2021 \$	June 2022 \$	June 2021 \$
Australia	5,616,734	2,644,284	9,038,842	5,207,273
United States	1,486,950	318,307	-	-
New Zealand	712,369	1,255,992	-	-
Europe	482,858	-	-	-
Asia	341,397	307,880	-	-
Rest of World	276,687	67,619	-	-
	8,916,995	4,594,082	9,038,842	5,207,273

Concentration of key customers

The concentration of customers for the 2022 year was as follows:

- A major customer in Australia and New Zealand in the finance sector represented 16.1% of operating revenue
- A major customer in Australia in the telecommunications sector represented 12.4% of operating revenue

The concentration of customers for the 2021 year was as follows:

- A major customer in Australia and New Zealand in the finance sector represented 45.4% of operating revenue
- A major customer in Australia in the telecommunications sector represented 26.5% of operating revenue
- A major customer in Singapore in the telecommunications sector represented 6.7% of operating revenue

Note 27. Loss per share

	Consolidated	
	2022 \$	2021 \$
Loss after income tax attributable to the owners the parent	(3,078,295)	(545,381)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	214,041,202	168,997,547
	Cents	Cents
Basic loss per share	(1.44)	(0.32)

The 10,550,000 (2021: 2,000,000) options issued could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted loss per share because they are anti-dilutive for the periods presented.

Note 28. Business combinations

Acquisition of the Libero business ("Libero")

On 31 August 2021 the consolidated entity, through its newly formed 100% owned subsidiary Libero Systems Pty Ltd, acquired the Libero business, which includes a subsidiary company, Libero IS GmbH in Germany. Libero is a leading Library Management Software ("LMS") business which delivers a digital experience in managing asset collections, employees and interactions with members for public libraries, tertiary education institutions and other similar organisations. Libero has 116 clients located across 8 countries, predominately in Australia and Germany/EU. The Company paid net cash of \$2,846,134 and issued 6,896,551 fully paid ordinary shares to the vendor of Libero as consideration for the acquisition. Based on the market value of Knosys Limited shares on the date of completion, the total acquisition value of Libero was \$3,846,134.

Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Libero as at the date of the acquisition have been determined as follows:

	31 August 2021 \$
Cash	119,951
Trade receivables	276,696
Prepayments and other assets	56,763
Customer contracts	2,500,000
Marketing assets	500,000
Trade and other payables	(93,068)
Contract liabilities	(1,081,290)
Provisions	(132,290)
Net assets acquired	2,146,134

Purchase consideration

Issue of 6,896,551 Knosys Limited fully paid ordinary shares at 14.5c per share to vendor	1,000,000
Cash paid to vendor	2,846,134
Total purchase consideration	3,846,134
Goodwill acquired on acquisition	1,700,000

Acquisition costs

Transactions costs of approximately \$398,000 associated with the acquisition have been expensed and are included in Transaction costs in the income statement.

Contingent Assets and Contingent Liabilities

No contingent assets or liabilities were assumed by the Group as a result of the acquisition of Libero.

Revenue and profit contribution

Since the date of acquisition estimated revenue contributed by Libero for the ten months to 30 June 2022 was \$2,090,000, with a net profit contribution of \$1,100,000, before amortisation of identifiable intangible assets. Based on pre and post-acquisition analysis of Libero, the full year revenue contribution to the consolidated entity from Libero was estimated to be \$2.4m if the acquisition had occurred on 1 July 2021. Based on the nature of the business combination from which Libero was acquired, it was not possible to determine the profit impact to the Group if the acquisition had occurred on 1 July 2021.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Hon. Alan Stockdale AO
Director

29 August 2022
Melbourne

Independent Auditor's Report

Knosys Limited
Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Knosys Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RECOGNITION OF REVENUE UNDER SERVICE CONTRACTS

Area of focus Refer also to notes 1, 3 and 14	How our audit addressed it
<p>The Group has service contracts with its customers. These service contracts have invoicing, and payment milestones included within their terms, which may or may not be directly aligned with the performance of services under the contract in accordance with <i>AASB 15 Revenue from Contracts with Customers</i>.</p> <p>In order to accrue revenue appropriately in the correct accounting period, management has developed a model to recognise revenue when the performance obligation is satisfied in each contract. This includes identifying the specific performance obligations within each customer agreement on commencement.</p> <p>There is a requirement for judgement in determining the period to which the revenue should be attributed. In designing the model management has considered:</p> <ul style="list-style-type: none"> – Compliance with <i>AASB 15 – Revenue from contracts with customers</i>; – When the performance obligation is identified and satisfied in respect to each component of each contract; and – The potential for any post-contract servicing work to be performed at the conclusion of the contract and whether an additional performance obligation exists. <p>Based on the above revenue recognition was a key area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Examining management's revenue recognition model to ensure compliance with <i>AASB 15</i>; – Testing of customer invoicing under the contract and receipt of payment; and – Reviewing new service contracts to understand material terms and conditions, including any particular seller warranties or indemnities given and their potential impact upon the revenue recognition model. <p>We have also assessed the adequacy of disclosures in the notes to the financial report.</p>

ACQUISITION OF THE LIBERO GROUP OF ENTITIES

Area of focus Refer also to notes 1 and 28	How our audit addressed it
<p>The Group acquired the Libero group of entities ("Libero") on 31 August 2021 for a total consideration of \$3.85 million.</p> <p>Accounting for this transaction is complex and required significant judgements and estimates by management in respect of the initial entries recorded, specifically to determine the fair value of assets and liabilities acquired in the context of Australian Accounting Standards.</p> <p>As such this matter has been determined as a key area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Assessing that the acquired entity meets the definition of a business under <i>AASB 3 – Business Combinations</i>; – Reviewing the sale and purchase agreement to understand the key terms and conditions of the acquisition, including the date that control passed to the Group;

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ACQUISITION OF THE LIBERO GROUP OF ENTITIES (continued)	
Area of focus Refer also to notes 1 and 28	How our audit addressed it
	<ul style="list-style-type: none"> – Reviewing the Purchase Price Allocation Valuation Report prepared by management's expert for the identifiable intangible assets of the business and subsequent goodwill including the evaluation of management's expert; and – Assessing the Group's determination of fair values of assets acquired by performing specific audit procedures on opening balances at acquisition date. <p>We have also assessed the adequacy of the Group's disclosures in respect of the acquisition in the financial report.</p>
ASSESSMENT OF CARRYING VALUE OF GOODWILL AND INTANGIBLE ASSETS	
Area of focus Refer also to notes 1 and 8	How our audit addressed it
<p>During the financial years ended 30 June 2021 & 30 June 2022, the group expanded its activities through the acquisition of the GreenOrbit group and Libero group respectively. As a result, the acquisitions created goodwill and intangible assets on the Group's consolidated statement of financial position of \$8.9 million.</p> <p>There is a risk that the carrying amount of goodwill and intangible assets exceed its recoverable amount and may be impaired.</p> <p>The Group continues to operate as a single Cash Generating Unit ("CGU") being a developer and licensor of computer software. Management has assessed that the activities of the acquired groups operate within this core activity segment.</p> <p>The recoverable amount of the CGU has been calculated based on a value-in-use discounted cashflow model, that examines the expected discounted cashflows of its sole CGU over a five-year period extending from reporting date, plus a terminal value.</p> <p>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – A detailed analysis of any changes to the business to determine the continued appropriateness of a single segment and CGU; – Reviewing the Purchase Price Allocation Reports for both Libero Group and GreenOrbit Group prepared by management's expert to determine the split of the identifiable intangible assets and goodwill components including the evaluation of management's expert; – An examination of the discounted cashflow model, testing for <ol style="list-style-type: none"> a) its arithmetical accuracy; b) the reasonableness of the future cashflows, comparing to historical trends of the business and its pipeline of future sales transactions and the overall industry climate affecting the economics of the business model; c) the reasonableness of key inputs into the model, including growth rates, the discount rate and the working capital levels associated with the derivation of those growth rates; – An examination of key sensitivities of the Group's future discounted cash flows to changes in key inputs; and – Cross-checking the overall net present value derived by the model to the current enterprise value of the business, embodied in its market capitalisation. <p>We also considered the adequacy of the Group's disclosures in relation to the impairment testing in the financial report.</p>

SHARE-BASED PAYMENTS	
Area of focus Refer also to notes 1, 25 and the Remuneration Report	How our audit addressed it
<p>During the financial year, the Group issued options over common shares to employees of the entity, of which includes key management personnel, in order to provide them with long term incentives.</p> <p>This is a key audit matter as the valuation of share-based payments is complex and subject to significant management estimates & judgements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Determining the grant dates and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; – Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence; – Evaluating the progress of the vesting of share-based payments within the service period; and – For the specific application of the binomial model, we assessed the experience of the expert used to advise the value of the arrangements. We also assessed the reasonableness of the assumptions detailed in their report. <p>We have also assessed the adequacy of disclosures in the notes to the financial report.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Knosys Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

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

A. A. Finnis
Director
Melbourne, 29 August 2022

Additional information for listed companies

Corporate Governance Statement

The company's corporate governance statement can be found on the company website at <https://www.knosys.co/investor-centre/>

Shareholder information as at 15 August 2022

Distribution of Shareholders Category (size of holding)	Number	Number
	Holders	Ordinary Shares
1 - 1,000	29	5,603
1,001 - 5,000	55	202,677
5,001 - 10,000	72	606,580
10,001 - 100,000	281	11,853,934
Above 100,000	219	203,469,904
	656	216,138,698

The number of shareholdings held in less than marketable parcels is 73, with a total of 153,550 ordinary shares, amounting to 0.07% of issued capital.

Substantial shareholders listed in the company's register:

Shareholder	Number	
	Ordinary shares	%
Skiptan Pty Ltd <P&M Meurs Family Trust>	41,263,715	19.09

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

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20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	SKIPTAN PTY LTD <P&M MEURS FAMILY A/C>	41,263,715	19.09%
2	MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	7,801,124	3.61%
3	MR SEAN PATRICK MARTIN <THE AVEBURY FAMILY A/C>	7,300,270	3.38%
4	VABAKE PTY LTD <LEVY FAMILY A/C>	7,066,130	3.27%
5	VUE-IT PTY LTD <PATANE FAMILY AC>	6,896,551	3.19%
6	EARTHRISE HOLDINGS PTY LTD <CAMPION INVESTMENT A/C>	6,635,000	3.07%
7	JET INVEST PTY LTD <RJC INVESTMENT A/C>	5,988,001	2.77%
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,800,935	2.68%
9	TDF PROPERTIES PTY LTD <TDF PROPERTY A/C>	5,194,737	2.40%
10	DMX CAPITAL PARTNERS LIMITED	5,116,968	2.37%
11	MAST FINANCIAL PTY LTD <A TO Z INVESTMENT A/C>	3,750,000	1.74%
12	TORRYBURN PTY LTD <TORRYBURN SUPER FUND A/C>	3,280,875	1.52%
13	HUNTINGDALE MANAGEMENT PTY LTD <HUNTINGDALE A/C>	2,700,000	1.25%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,638,792	1.22%
15	ADC (INVESTING) PTY LTD <AL COOK ASSET A/C>	2,200,000	1.02%
16	GALE ENTERPRISES (AUST) PTY LTD <CAVALIER FAMILY A/C>	2,192,000	1.01%
17	NATIONAL NOMINEES LIMITED	2,187,929	1.01%
18	NICHOLAS PASSMORE	2,000,000	0.93%
19	JT MANAGEMENT CO PTY LTD <THE JAMES SUPER FUND A/C>	2,000,000	0.93%
20	STEPHEN CRAIG KERR	2,000,000	0.93%
	Total	124,013,027	57.38%
	Total issued capital	216,138,698	100.00%

Registers of securities are held at the following address:

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000

Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

In accordance with ASX Listing Rule 4.10.19, the Consolidated Group advises that, since listing on 9 September 2015, it has used its cash in a way consistent with its business objectives.

No matter where you are
in the world, we are there

Customers around the globe depend upon Knosys to create a business advantage to help businesses leverage their knowledge, information and insights and make smart connections that drive strong outcomes.

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Contact Details

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 www.knosys.co

 www.knoi.com

 www.greenorbit.com

 www.libero.com.au