

ANNUAL REPORT

For the year ended
30 June 2022

For personal use only



CORPORATE INFORMATION

SenSen Networks Limited

ACN 121257412

Directors

Dr Subhash Challa, Executive Chairman
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director
Ms Heather Scheibenstock, Executive Director

Company Secretary

Mr David Smith

Chief Financial Officer

Mr Christian Stevens

Registered Office and Principal Place of Business

2/570 City Road,
South Melbourne, VIC 3205
Telephone: +61 3 9417 5368

Share Register

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Australia: 1300 850 505
Overseas callers: +61 3 9415 4000
Facsimile: +61 3 9473 2500
Internet: www.computershare.com.au

Stock Exchange Listing

SenSen Networks Limited shares are listed on the Australian Securities Exchange (ASX Code: SNS).

Solicitors

Thomson Geer Lawyers
Level 16, Waterfront Place
1 Eagle Street
Brisbane Qld 4000

Auditors

BDO Audit Pty Ltd
Level 10, 12 Creek St
Brisbane City, QLD 4000

Bankers

Commonwealth Bank of Australia
727 Collins Street
Melbourne VIC 3000

Website

www.sensen.ai

LETTER FROM THE CHAIR & CEO

Dear Fellow Shareholders,

I warmly welcome all new and existing shareholders to SenSen's Annual Report for the financial year ended 30 June 2022 – another year of unprecedented success since listing on the ASX in 2017.

In our increasingly complex world, it has never been more vital for cities and enterprises to run efficiently and productively for the benefit of all stakeholders.

To optimise the management of the complex interactions that lie at the heart of modern cities and enterprises – the movement of people, vehicles and objects – we've built the world's leading Live Fusion AI platform, SenDISA, that powers all SenSen applications.

It's a platform that has generated record revenues for our company YoY while improving the lives of millions of people who enjoy safer roads, more pleasant commuting journeys, more efficient parking, reduced crime and leisure opportunities because of it. Best of all, we're only just getting started. It's a horizontal AI technology platform capable of gathering, analyzing and fusing data from every sensing device in common use today – cameras, radar, Lidar, GPS, passive infrared sensors – to solve problems across all industries that were often considered impossible to solve through traditional means.

We've made our mark in four business verticals – Smart Cities, Casinos, Retail, Smart Surveillance – and have a pipeline of emerging technology applications in many attractive new sectors. All our solutions are built on SenSen's intellectual property that is protected by a significant and growing patent vault. We currently have 10 patent families. Of these, 8 families have granted patents and 2 are pending. In FY 2022 we lodged one new provisional application, three PCT applications, three divisional applications, three Australian innovation patents, and two convention applications based on an existing provisional application. In addition, there are five draft applications being prepared for filing.

Against the backdrop of extreme world events, like the war in Ukraine, uncontrolled inflation globally and COVID-19 induced supply chain and labour shortages, SenSen continued to grow strongly. The following are the key highlights for FY22:

- The company delivered record revenues of \$9.1M (65% growth YoY) and record annual customer cash receipts of over \$8.9M for FY22.
- ARR has grown from a run rate of \$4.0M at the end of June 2021 to \$6.0M by end of June 2022 and is on track to grow to \$8.0M by the end of H1 2023.
- Our customer net retention rate for FY22 is 103% (2022: 120%+), which reflects the value we bring to improving the business operations and customer service experiences of our customers.
- In alignment with our active growth strategy, SenSen acquired Scancam Industries, a world leader in AI-powered fuel theft reduction. This strategic acquisition enabled SenSen to accelerate growth into smart surveillance with a focus on fuel retail.
- Successful integration of Scancam into SenSen's technology stack enabled us to grow the customer base from 250 to 330 in FY22 and we are on track to grow the market further in FY23 and beyond.
- This followed the successful capital raise of \$10M in November 2021 indicating strong market demand from institutional and sophisticated investors as well as existing shareholders who participated through an SPP into our investment thesis. The funds are being invested to accelerate revenue and enhance our delivery capabilities to global customers, especially in the USA.
- We developed three new products – Scancam Edge, SenFORCE EMT, SenPIC – and lodged one new patent application while continuing to progress earlier patent applications.
- Our company won the Best Product Innovation from Parking Australia for SenFORCE EMT.
- We applied our patented skeletal tracking technology to sports analytics applications and progressed multiple trials with various sports governing bodies and organisations.



For personal use only

LETTER FROM THE CHAIR & CEO

- Unveiled recent breakthroughs we have achieved with solar and drones; these were built to handle AI processing in tough Australian conditions but are proving in demand from many international locations.
- Worked with blue-chip Smart City customers Chicago and Las Vegas who are using our Australian ingenuity to deal with a post-COVID surge in tourists and the resumption of commercial activities.

We have committed to continued investment in SenSen's technology capability to deliver on our future roadmap. We rebranded and changed our web presence to www.sensen.ai to better reflect our vision and capabilities to deliver sophisticated AI-driven, data-fusion solutions. We are on track with our plans to scale rapidly across all business verticals and are looking to build growth momentum by:

- **Investing** – developing marketing and sales channels to support accelerated growth into the Smart Cities, Retail, Smart Surveillance and Casino markets and enabling our product team to create robust, scalable products.
- **Expanding** – establishing a foothold in all current and adjacent market verticals, including:
 - Growing the use of SenSen's Smart Surveillance analytics software from 10,000+ cameras to 100,000+ cameras in 2-3 years
 - Growing SenSen's Casino Gaming solutions from three Casinos to 30+ Casinos in 2-3 years
 - Grow SenSen's Fuel Theft solutions offering from 330+ to 1000+ in 2-3 years. Our long-term focus is to implement this solution in the broader retail market and grow to 1000+ stores in 2-3 years
 - Growing SenSen's Smart Cities solutions, including road safety, traffic analytics, curbside and parking management solutions, from 35+ Cities to 100+ Cities in 2-3 years.

As we look to the future with a mid to long-term lens, SenSen's growth ambitions lie in the reputation we have built for developing disruptive new innovations to transform industries. The creativity of our R&D engineers is the foundation of SenSen's vision, which is a lifelong commitment to solve real problems with better-built solutions benefitting from data fusion insights.

Today our emerging technology team is working in partnership with blue-chip business partners across a variety of sectors in the economy. These industries range from sports analytics and autonomous vehicles to the application of robotics in the aged care sector. Our partners and customers see the value of adopting our world-leading sensor AI technology to solve their problems and create efficiencies in the delivery of products and services to the markets in which they serve.

I sincerely thank SenSen's team of engineering professionals and industry experts in Data Fusion, AI, Machine Learning, Deep Learning and Computer Vision. Thanks to their passion and rigor to positively transform people's lives with Sensor AI, SenSen is on a steep trajectory for growth as we move forward breaking new ground and creating new markets for Sensor AI technology.

I would like to thank SenSen's shareholders who continue to support and believe in our Company. I also thank my fellow Board members for their contributions during the year, and our staff and management for the efforts they delivered in two consecutive record-breaking financial years of 2021 & 2022.

I look forward to leading our company and sharing further progress with shareholders as we move forward in delivering on our strategy and plans to build an outstanding global business as we look to the long-term goal of listing on the NASDAQ.

Sincerely,



Dr Subhash Challa, Executive Chairman and CEO

CORPORATE VALUES

Corporate Values

Integrity – Always doing the right thing, and bring this value into all customer and employee relationships

Ingenuity – Solve problems considered impossible by our customers through innovation.

Excellence – Deliver solutions and service that exceed our customer expectations.

Corporate Identity

We are world leaders in Sensor AI.

We achieve this by solving customer problems that were once considered impossible and by positively transforming people's lives in innovative ways.

Corporate Behavior

We are relentless in our pursuit of excellence and turning what seem like impossible problems into working solutions.

We do this by listening to the issues faced by customers, working intensely with them to resolve their pain points, and building inventions that work based on our deep understanding of AI, Machine Learning, Deep Learning and Data Fusion.

Corporate Design

In an increasingly urban world, it's easy to lose sight that cities are meant to serve citizens and make their lives easier.

By teaming with Dutch illustrator Timo Kuilder – whose deceptively playful work is known to business audiences via NY Times, The Economist and Bloomberg – SenSen is part of the growing movement to bring joy and comfort back to people's lives.

We disguise the complexity of our technology prowess through human-friendly design and stylish product delivery.

Corporate Culture

Our culture of constant reinvention is made possible by the ability and eagerness of our people to pivot and progress while strengthening relationships and commercial outputs.

The conventional does not serve us, neither our customers nor staff.

Unafraid of taking risks and learning from mistakes, we are 'ingenious by design' – a state of constant evolution as demonstrated by our many world-firsts.

We are anti-fragile, our every setback made us come back stronger.

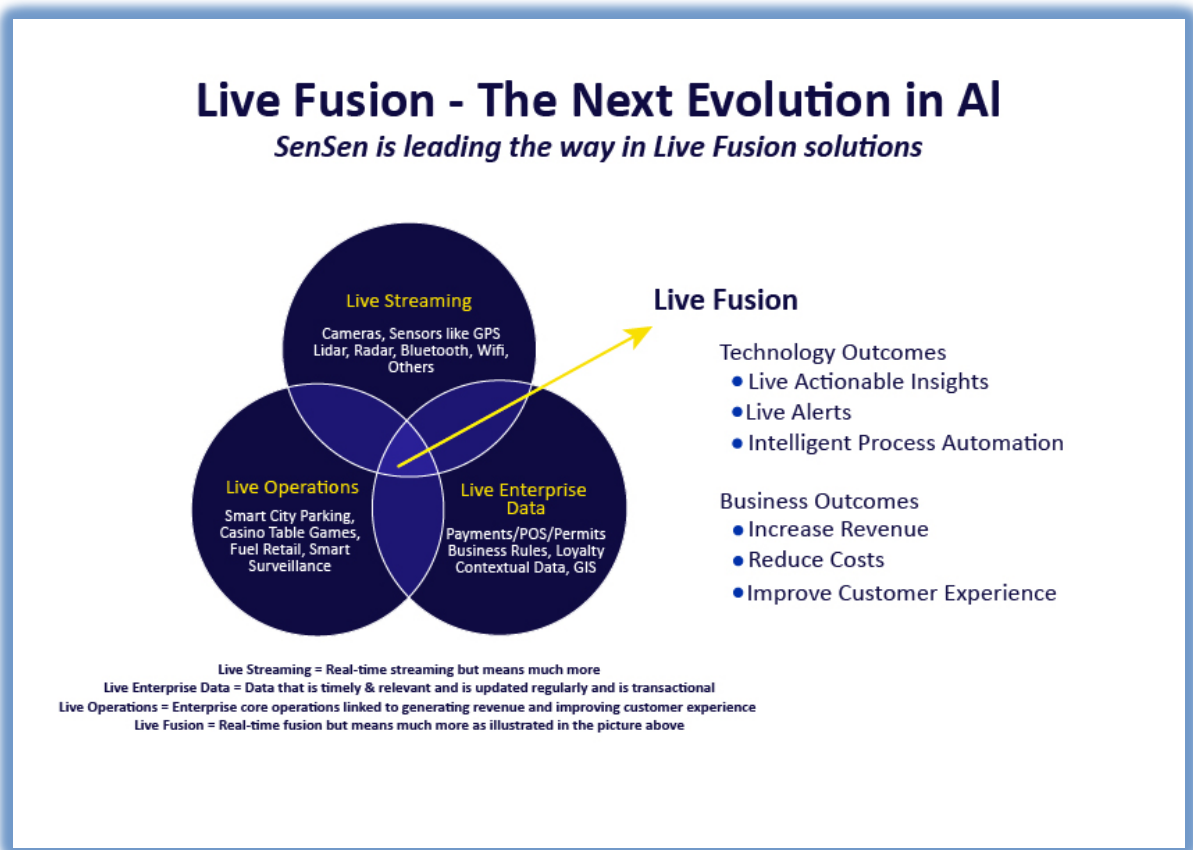
For personal use only

SENSOR AI & LIVE FUSION PLATFORM SENDISA

SenSen aspires to be the Global leader in Sensor AI delivering Live Fusion Solutions. Live Fusion is a category of AI solutions that is concerned with automating Live (real-time) operations by fusion of Live streaming cameras and sensors to solve problems faced by enterprises in their everyday operations.

Live Fusion

- **Live** refers to real-time operational scenarios in physical environments.
- **Fusion** refers to integration of data from multiple sources to extract accurate insights that are otherwise impossible to obtain from a single source.
- **Data** sources of particular interest in Live physical environments are cameras, GPS and sensors like Lidar, Radar and other contextual sources like GIS, transactional data like payments/permits, textual data, and other data.



Over the last decade, SenSen has been developing a highly reconfigurable Live Fusion platform – SenDISA – which injects data from cameras and sensors in physical environments like cities, airports, casinos, retail stores and others to:

- Track objects with location, time, and other attributes such as people, vehicles, and assets in motion and in real-time
- In complex scenarios such as parking in Smart Cities, table games in casinos, surveillance in airports & seaports

Our technology and products are proven in multiple business verticals with blue chip and government clients and in multiple geographies. Intellectual property has been built over 15 years working in close collaboration with customers having Live Fusion problems and protected by multiple patents.

Three critical components work together – data fusion, AI algorithms, software – to produce results that improve the productivity and safety of our customers’ operations and deliver business insights that are otherwise impossible to obtain from traditional data sources.

SENSOR AI & LIVE FUSION PLATFORM SENDISA

Problems We Solve

SenSen's Live Fusion is used to solve problems for a wide range of customer use cases. The following are the defining characteristics of Live Fusion problems, and they exist in every kind of enterprise. The problems are related to the:

- core business of the client, e.g. generating revenue, managing costs or delivering an exceptional customer experience that directly ties to the value proposition
- activities happening in a complex physical environment captured by cameras and sensors; and
- fusion of data from multiple sources which delivers richer insights than any single source of data.

SenSen's competitors differ from one market segment to another; they typically do things manually or use point products with limited functionality that do not meet all the requirements of the problem. Many competitor solutions cannot handle the exponential complexity of complete requirements to solve customer problem. In contrast, thanks to SenDISA, SenSen can use a platform approach to address exponentially complex live fusion problems. This approach is superior because:

- single point products are limited in scope and often do not meet the full spectrum of customer requirements
- single point products frequently spiral into highly competitive environments with continuously lowering margins, ie the commodity trap.

Platform-based solutions, meanwhile, can meet the full spectrum of customer requirements because they are easily customizable and configurable. Once the first customer's pain points are resolved, the product can be rolled out to new customers quickly and easily.

Plus, once a customer knows SenSen is adding value, they are open to up-selling and cross-selling new modules and add-ons that are essentially configurations of the same platform.

The best-known live fusion platforms in the world are driver-less cars and advanced robots where cameras and sensors operate in real-time to achieve high-level objectives like navigating from one place to another or performing complex tasks autonomously. However, until now few such platforms have been available to solve enterprise problems linked to operational scenarios happening live (in real-time). That's because they need to use similarly sophisticated analysis and fusion used in autonomous vehicle but for enterprise objectives such as increasing revenue, cutting costs, improving productivity and safety, or improving the customer experience.

SenSen is leading the way in developing such a platform. We have invested over 15 years of intense research to develop SenDISA that is today solving Live Fusion problems in multiple industries, use cases and multiple geographies delivering unprecedented value to customers. Some examples of Live Fusion problems that SenSen is able to solve using the Live Fusion platform approach are outlined here.

Civic Compliance Problems for Cities

- **Problem:** Parking is a necessary revenue generator for cities while also maintaining fairness for business owners, commuters and shoppers.
- **Live:** Operational scenario is to check if motorists are parked legally and paying for the spaces used.
- **Fusion:** Location of vehicle, signage, occupancy, disability permits and at-risk plates.
- **Environment:** Cities are a complex grid of vehicles, parking configurations, day/night rules and on/off street rules.
- **Exponential Complexity:** Complex business rules related to parking need integration of cameras, GPS, GIS, payments/permits, signage and civic regulations.
- **Market Opportunity:** City Council Parking Operations
- **Competition:** Manual enforcement operations and Mobile LPR solutions
- **SenSen Solution:** SenFORCE

For personal use only

SENSOR AI & LIVE FUSION PLATFORM SENDISA

Live Table Games Operations Management in Casinos

- **Problem:** Table games are a significant revenue generator for casinos
- **Live:** Operational scenario is to accurately rate players in real-time, allocating reward points and improving customer loyalty. In addition, dynamic pricing can be used to maximize yield.
- **Fusion:** Casinos are a complex hive of people, activities, attributes, scenarios, events and motion. A solution has to be built around table games, game analytics, bet evaluation, governance, harm minimisation (KYC) and player recognition/rewards.
- **Physical Environment:** Casino table games, floor movements and staff requirements.
- **Exponential Complexity:** Variety of table games, game rules, business operational rules, dealers, players, table configurations and lighting
- **Market Opportunity:** 50000+ Tables spread across 9000+ Casinos
- **Competition:** Current solutions are manual, not real-time, and are often not accurate; The alternative solutions include RFID, combination and several other camera-based solutions
- **SenSen Solution:** SenGAME

Smart Surveillance preventing Fuel Theft

- **Problem:** Fuel theft is rampant, especially with the cost-of-living pressures on the rise, and petrol stations want to prevent crimes before they happen to reduce retail losses, increase profitability and deal with the complexity of crime reporting
- **Live:** Operational scenario is to Intercept fuel theft and other crimes in real-time
- **Fusion:** Vehicle license plate, location and time, history of crime, link to vehicles-of-interest databases
- **Physical Environment:** Fuel stations, mini-marts and retail stores
- **Exponential Complexity:** Tracking vehicles between fuel stations, matching with multiple databases including police, alerting in real-time, crime reporting
- **Market Opportunity:** 6000+ Fuel Stations in Australia Alone, Thousands more globally
- **Competition:** Competitor solutions are manual, not real-time, and often fuel retailers are too busy so they resort to a do-nothing approach which no longer works as the market value of theft rises
- **SenSen Solution:** Scancam

Smart Surveillance Tracking People Over a Network of Cameras

- **Problem:** Track persons of interest over large-scale camera networks in real time or forensically
- **Live:** Operational scenario is to direct operators where a person of interest has been and the direction, he/she is heading so they can do their jobs most effectively and intercept crime in real-time
- **Fusion:** Person of Interest, location and time, camera relationships, Video Management Systems
- **Physical Environment:** Airports, universities, hospitals, schools, other large-scale facilities
- **Exponential Complexity:** Tracking people over many networked cameras
- **Market Opportunity:** Large Scale Surveillance Deployments Worldwide
- **Competition:** Competitor solutions are manual, not real-time
- **SenSen Solution:** SenTRACK

For personal use only

FINANCIAL SUMMARY

Financial Year 2022 is a record-breaking year as a result of acquisition, organic growth and a focus on emerging technologies. This continued and sustained growth saw the company deliver on our strategy to expand our business verticals – Smart Cities, Retail, Casinos and Surveillance – and provide the operational support to grow.

Our major achievements include record cash receipts from customers since listing, the acquisition of the fuel theft retail monitoring business Scancam Industries, and expansion into the US through opening of our Las Vegas headquarters.

We also presented an updated ARR guidance to the market which we look forward to achieving as we expand our footprint across the globe.

A summary of our outstanding foundational results that will lead to exponential growth in the coming years:

- Record revenues and customer cash receipts since inception
 - \$9.1M revenue for the financial year 2022
 - \$8.9m cash receipts for the financial year 2022
- A strong cash position, posting \$6.2M in cash and cash equivalents with unused finance facilities available of \$1.8M. The cash position at 30 June 2022 includes monies subsequently reconciled after year end that were consolidated by the Company.
- All verticals grew substantially over the last 12 months
 - Smart Cities grew from \$4.8M to \$5.9M
 - Casinos grew from \$0.7M to \$0.8M
 - Retail Surveillance grew following the acquisition of Scancam in July 2021 to \$2.4M for FY22
- Established strong YoY ARR (unaudited) growth profile
 - Forward-looking ARR of \$6.7M representing 100% YoY ARR growth for FY22
 - Forward NRR or Net Retention of 103%+ in FY22
 - Zero Churn of significant customers
 - MRR has grown over the last 12 months from \$400K per month to \$500K per month and this trend of strong MRR growth is expected to continue.
- November and December 2021 – Capital raise: SenSen successfully raised \$10.0M to fund our international revenue growth acceleration strategy.

The Company undertook a significant review of research and development activities carried out during FY22. It was determined not to capitalise development costs due to:

- Minimal benefit to the profit and loss and balance sheet
- Internal systems and support necessary to meet the 'reliable measure' requirement under AASB 138
- Onerous cost of compliance (cost versus benefit).

FINANCIAL SUMMARY

Smart Cities APAC

2022 has been an exciting year for SenSen and our Smart City customers. We have increased our net number of customers by 50% in the APAC region, adding one federal, two state, several private car parks, and several council customers, all of which attract annual recurring revenue.

Some of our new smart city customers include:

- Care Park Pty Ltd, Adelaide
- City of Adelaide, South Australia
- National Heavy Vehicle Regulator
- Queensland Revenue Office
- Sunshine Coast Regional Council
- Toowoomba Regional Council, through our partner Duncan Solutions
- Victorian Department of Transport
- City of Cockburn, Western Australia

These new customers, particularly those in South Australia, represent our first Smart City customers in that region, setting us up for cluster behavior where new councils adopt the same advanced technologies as other key customers in the region, a trend we have seen in Queensland over the last couple of years.

To sustain our existing customers and to unlock new revenue streams while onboarding new customers, we recruited an experienced parking, council, and customer service professional (Kristen Prosser) into the role of Customer Success Manager. This led to several existing customers extending their commitments and increasing the range of our products and services, including:

- Brisbane City Council
- City of Gold Coast, through our partner Duncan Solutions
- Hills Shire Council
- Ipswich City Council
- Singapore Land Transport Authority
- Transport for New South Wales

Flood events affected variable revenue particularly in early 2022 as our customers relaxed compliance operations to support community recovery. During this period we were able to assist customers by advising on techniques to repurpose our digital compliance systems to support recovery efforts, such as recording footage of curbside waste that needed collecting.

In late 2021 our work with key customer Brisbane City Council was recognized nationally with a joint award for the Best Technology Innovation at the Parking Industry Awards for our Environment Mapping Technology. As we move into FY23, we hope to continue building momentum in signing new customers and unlocking new revenue streams from existing customers.

Smart Surveillance

There are three components to the Smart Surveillance business vertical with three distinct product lines generating revenues from three geographies: Australia, Singapore and the USA. Smart surveillance revenues in Australia are driven by Scancam – a fuel theft reduction solution. In Singapore, revenue is driven by advanced video analytics software (SenVAS) for the Land Transport Authority, seaport and airport applications. Finally in the USA, revenue is driven by multi-camera, computer-aided person tracking: SenTRACK.

FINANCIAL SUMMARY

Scancam

After the successful acquisition of Scancam Industries Pty Ltd mid-July 2021, it has been an exciting year on all fronts.

Earlier in the year, the key focus was to integrate the business operations and team into SenSen. The other major initiative was to bring SenSen IP into the Scancam product to make it more cost-effective for end users to adopt and implement the technology into their stores. The key outcome of this objective was to significantly reduce the upfront costs of the Scancam system, making the product inherently more scalable and expanding the addressable market and accelerating growth.

Post-acquisition and successful integration, we have managed to deliver an incredible solution to our customers:

- Over 40,000 fuel theft incidents detected
- 100% increase in the debt recovered to a staggering \$2.14 million
- Detected over 200,000 known offenders in our locations
- Provided \$12.1M in preventative alerts to customers on the network

With global fuel prices reaching record highs and soaring inflation, the economic landscape has fuelled an increased need for loss prevention and instore optimisation technologies. SenSen is ideally positioned to capitalise on this given the current and foreseeable macro-economic conditions.

The second half of this financial year was particularly strong with several ground-breaking wins, notably signing of corporate fuel retailer Euro Garages, a UK company that purchased Woolworths Fuel in 2019 and Vibe Petroleum in WA, and the addition of two new full-time sales business development managers covering both the west and east coast of Australia.

H2 of this year saw the team double project revenue compared to the first half, indicative of the increased adoption rate on the SenDISA platform model. In FY22,

- We increased our site location numbers by 31%
- Our SAS revenue run rate has increased by 45%
- Completed a successful POC with Northern Territory Police
- Agreed pilot of new technology with AMPOL Australia (existing customer)

All of this is a testament to the benefits delivered to the business through the strategic acquisition and successful integration of IP, team and Scancam technologies.

A unique selling point of the Scancam anti fuel theft platform is the debt recovery solution: Fuel Recovery Services Australia. Post-acquisition, we have added depth to our team and seen revenues from this operation double during the past 12 months. With the number of sites increasing, the system is improving core performance metrics for the benefit of customers.

With a rapidly filling pipeline, we expect good growth to continue and follow recent trends. Our team is focused on execution and operational strategy for the coming year to deliver another period of strong sales performance.

SenVAS

SenSen has been active in Singapore in the Smart Surveillance space for several years with Changi Airport as a key client. Furthermore we have added PSA Singapore (formerly Port of Singapore Authority) and Singapore Ministry of Home Affairs as clients via in-country partner PCS. In addition, we have been providing solutions to Land Transport Authority (LTA) that is reported as part of our Smart City solutions.

FINANCIAL SUMMARY

It is pleasing to note that our solutions are now used by key government organisations linked by Land, Air and Sea. We have expanded our partnerships with integration companies STE and PCS, and we have been working closely with distributor D-RON to extend our reach and scope of products.

Via D-RON we have initiated significant marketing initiatives in the region using Singapore as the base.

USA – SenTRACK

Many hospitals, schools, universities and airports are using the SenTRACK product line in the USA. The trajectory of sales was negatively impacted due to COVID-19 related lockdowns between 2019-21 but momentum has increased strongly since the beginning of 2022. We have delivered presentations at multiple security conferences in the USA to re-introduce SenTRACK to key market segments and a strong pipeline of opportunities has been created.

We have some iconic clients in the USA including Snap Chat Inc and Las Vegas Airport in addition to several school districts and hospitals. A system for Las Vegas Airport, won in 2018 but progressively delayed by COVID-19 lockdowns, is expected to be rolled out in FY 2023.

Riding on the success of satisfied customers in the USA, we have been working with distributors and key system integrators in all our geographies to develop SenTRACK sales momentum globally. We expect to see more revenue from SenTRACK in Singapore and Australia in FY23 and beyond.

Casino Gaming Solutions

COVID significantly hit the gaming business with shutdowns, mask mandates, reduced opening hours and reduced number of visitors/players allowed in most venues. Impacts on equipment pricing (COGS) and unavailability of equipment with shortages of key items such as computer chips slowed the business for all players within the industry. Despite these headwinds impacting the global leisure and hospitality sector, especially Casinos, we have been able to forge ahead with the following significant achievements within the casino gaming business vertical:

- Acquired our first leading UK casino customer - Hippodrome
- Expanded the contract with Solaire Casino in the Philippines to grow the number of active tables from 30 to 200 tables
- Established a new contract with Crown Casino to roll out our latest innovations in their Melbourne and Sydney Casinos focused on responsible gaming
- Introduced a highly cost-effective distributed computing-based AI solution to help more casinos gain access to our technology; a new patent application was submitted to protect the invention
- Introduced new product enhancements like SenEYE-D to significantly increase the appeal of our product line to a wider array of customers
- Invested in developing data analytics products with customised dashboards and reports to value add to SenGAME and provide real-time, novel insights from the data generated by SenGAME.
- Further investments into product developments are under way to support roulette, card reading, cash and chip exchanges, tips, alerts for payouts and cashless payments

As a part of a holistic approach to marketing and sales enablement, we attended the following Casino gaming shows this year leading to many leads, ICE UK gaming show, Table games protection summit, Las Vegas, NIGA. Our sales pipeline is strong and multiple POCs have been completed with prospective clients and more are in the pipeline.

2022 FINANCIAL STATEMENTS

Financial Report for the year ended 30 June 2022

Directors' Report	14
Auditor's Independence Declaration	32
Consolidated Statement of Profit or Loss & Comprehensive Income	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Changes in Equity	35
Consolidated Statement of Cash Flows	36
Notes to the Financial Statements	37
Directors' Declaration	76
Independent Auditor's Report	77

For personal use only

DIRECTORS' REPORT

The directors present their report with the consolidated financial report of SenSen Networks Limited ("the Company") and the entities it controlled ("the Group") at the end of, or during, the year ended 30 June 2022.

Directors and Company Secretary

The following persons were directors of SenSen Networks Limited during the whole financial year and up to the date of this report:

Mr Subhash Challa, Executive Director
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director and Company Secretary
Ms Heather Scheibenstock, Executive Director

Mr Subhash Challa

Executive Chairman, CEO and Managing Director

Qualifications: B. Tech (Electrical and Electronics Engineering), JNTU College of Engineering, Hyderabad, India. PhD (Aerospace and Electronic Systems, Signal Processing), Queensland University of Technology

Experience: Subhash founded SenSen Networks in 2007 as a spin-off from the University of Technology Sydney where he was Professor of Computer Systems. Subhash is a world-leading authority in data fusion specialising in the analysis and fusion of video and sensor data and is a regular speaker at international industry and academic conferences, and is a charter member of entrepreneurship organisation TIE.

Born and raised in Hyderabad, India, Subhash received his PhD from Queensland University of Technology, Brisbane, Australia in 1999. Part of his PhD studies were conducted at Harvard University (1997). He started his professional career as a Research Fellow at the University of Melbourne in 1998 where he led a number of defense industry projects. Subhash received the Tan-Chin Tau Fellowship in Engineering from Nanyang Technological University in Singapore (2003) where he worked with NTU researchers on traditional and underwater robotics. He holds a Bachelor's Degree in Electrical Engineering from JNTU, Kukatpally, India.

Subhash was the Professor of Computer Systems Engineering at the University of Technology Sydney from 2004-2007 where he mentored several doctoral students to completion in the areas of Bayesian Estimation Theory, Object Tracking, Sensor Networks, Computer Vision, License Plate Recognition, Facial Recognition and Data Fusion. He has co-authored more than 150 papers and is co-author of the reference text, 'Fundamentals of Object tracking' (Cambridge University Press, 2011) unifying disparate advances in estimation theory and object tracking into a recursive Bayesian framework.

Subhash left his successful career in academia to join SenSen full-time as CEO in January 2012. He has led the development of the company's video-IoT platform SenDISA and pioneered applications in diverse market segments. As the CEO and CTO of the company, he led SenSen to win a number of innovation awards including iAwards Victoria for SenFORCE and SenSIGN products in 2014 and 2017 respectively; Parking Australia Innovation Award in 2015; and Security Industry Innovation Award in 2014.

Subhash is a member of the Australian Institute of Company Directors (MAICD).

Mr Challa has no other current or previous listed company directorships in the last three years.

Special responsibilities:

Member of the Audit and Risk Committee

Interest in shares and options:

86,148,062 Ordinary shares and nil options over ordinary shares

DIRECTORS' REPORT

Mr David Smith

Executive Director, COO and Company Secretary

Qualifications:

B Econ, The University of Sydney
Dip Mgmt – Exec MBA, Australian Graduate School of Management

Experience:

David was previously an investment banker with more than 20 years experience, working in both the capital markets and M & A globally. He was regularly ranked as one of the Top 10 Australian Investment Bankers in annual surveys, and raised more than \$4 billion for corporate clients. With an extensive background in advising companies across all sectors, including technology, industrials and resources, David has been integrally involved in the evolution of numerous emerging companies into multi-billion dollar enterprises.

David is also a Non-Executive Director of RAW Capital Partners Holdings Limited, a UK based, international asset management business.

David completed his B Econ from the University of Sydney and a Dip Mgmt - Exec MBA from Australian Graduate School of Management, Sydney.

David is a member of the Australian Institute of Company Directors (MAICD).

Mr Smith has no other current or previous listed company directorships in the last three years.

Special responsibilities:

Chief Operating Officer & Company Secretary, Member of the Audit & Risk Committee

Interest in shares and options:

13,852,894 Ordinary shares and nil options over ordinary shares

Mr Zenon Pasieczny

MBA, Maastricht School of Management, The Netherlands

Non-Executive Director

Qualifications:

Zenon is an experienced venture capital investor screening 300+ deals annually and investing in only a handful. He backed SenSen for its outstanding potential as an Australian technology company with innovative and IP-driven solutions, helping it grow from an R&D focused start-up to a globally respected industry leader.

Experience:

Zenon is closely involved in SenSen's strategic marketing and delivery of global communication messages to clients, partners and the media.

Zenon is a member of the Australian Institute of Company Directors (MAICD).

He is Director of venture capital firm Saphet Capital Management and Managing Director of The House Family Office providing strategic and commercial advice to a select global client list.

Mr Pasieczny has no other current or previous listed company directorships in the last three years.

Special responsibilities:

Member of the Audit and Risk Committee

Interest in shares and options:

47,126,259 Ordinary shares and nil options over ordinary shares

DIRECTORS' REPORT

Ms Heather Scheibenstock GAICD, FGIA, FCG
Executive Director

Qualifications: Grad Dip Applied Corporate Governance

Experience: Heather has over 30 years' experience within the gaming and hospitality industries specialising in strategic planning, business development, stakeholder engagement and offshore growth.

She has held senior executive roles at numerous gaming companies including Bloomberry Resorts Corporation and Echo Entertainment Group (ASX: SGR).

Heather is a graduate of the Australian Institute of Company Directors (GAICD) and a Fellow of the Governance Institute of Australia (FGIA), and a Fellow of the Chartered Governance Institute (FCGI).

Ms Scheibenstock was previously a Non-Executive Director of ASX-listed global gaming company, Ainsworth Game Technology (ASX:AGI). She resigned in November 2019.












Special responsibilities: Chair of the Audit and Risk Committee

Interest in share 1,188,485 Ordinary shares and nil options over ordinary shares.

For personal use only

DIRECTORS' REPORT

Following is a summary of the SenSen Directors' Skill Matrix.

		Directors with the mentioned skill			
	Industry knowledge and Expertise The directors on the board all have experience in the markets SenSen operates.	●	●	●	●
	Executive Leadership The board has valuable capability at executive level across a broad sector	●	●	●	●
	Strategy development and Implementation Experience in Strategy development and execution at large and small scales	●	●	●	●
	Investor/Public Relations Experience in capital markets, IPO, investment, and mergers.	●	●	●	○
	Mergers and Acquisitions Experience in completing DD on mergers and/or acquisitions	●	●	●	●
	Financial Reporting and Management Senior experience in financial management, reporting and audit	●	●	●	●
	Corporate Governance Commitment to high standards of corporate governance and legal compliance	●	●	●	○
	Risk Management Experience in managing financial and non-financial risk, crisis management	●	●	○	○
	Human Resource management experience in employee management, succession planning and recruitment	●	●	●	○
	Global business experience Significant international exposure across the globe, particularly North America, Asia, Europe, and Africa	●	●	●	●
	Digital experience / information technology Senior experience in technology, especially in software innovation and digital technology and oversight of implementation of major technology projects	●	●	○	○

For personal use only

DIRECTORS' REPORT

Principal Activities

The principal activities of the group during the year were to develop and sell SenDISA platform-based products and services into 2 major market segments:

- **Smart Cities:** civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.
- **Casinos:** delivering accurate actionable insights about casino table game occupancy, hands per hour, bet type and value for every bet placed on the gaming floor.
- **Retail:** Provide anti-theft and debt recovery services to fuel retailers.

Dividends – SenSen Networks Limited

No dividends have been declared in the 2022 financial year (2021: no dividend declared).

Review of Operations

Information on the operations of the Group, its business strategies and prospects is set out in the Chairman's Letter on page 3.

Operating Results

The Group's net loss after tax was \$12,075,161 (2021: Loss of \$3,021,747). The loss for the year includes a non-cash share-based payment expense of \$3,173,353 (2021: \$72,288).

Shares

The following shares were issued during the year:

No. of Shares	
Balance as of 1 July 2021	518,158,232
- Shares issued on acquisition of Scancam	39,285,715
- Placement of shares on 9 Nov 2021	30,000,000
- Placement of 27,172,000 shares, 20 Dec 2021	23,304,096
- Placement (Directors) - 21 Dec 2021	5,000,000
- Placement of \$3m - 23 Dec 2021	25,000,000
- ESOP - 24 Dec 2021	9,594,718
- SNS shares issued to external Advisor of Gaming business	800,000
Balance as of 30 June 2022	651,142,761

Shares under option

Unissued ordinary shares of SenSen Networks Limited under option at the date of this report are Nil.

Details of all options granted to key management personnel are disclosed in the Remuneration report.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

15,854,256 options expired on 2 October 2021.

No shares were issued on exercise of options during the year and since the end of the financial year

Significant changes in the state of affairs

On the 20 July 2021 the Group announced a successful quotation of 39,285,715 shares in SenSen, utilised as part of the acquisition agreement to the shareholders of Scancam Industries Pty Ltd. The acquisition was successfully completed on 20 July 2021, and details of this business combination have been disclosed in note 21 in the annual report

DIRECTORS' REPORT

Update and impacts of COVID-19

The impacts of COVID-19 the Group have been detailed in the Chairman's Letter.

Events after the Reporting Period

There were no significant events subsequent to the reporting period.

Likely developments and review of operations

Comments on likely developments and review of operations of the Group are included in the Chairman's letter.

Further information on likely developments in the operations of the Group and the expected result of operations have not been included in the annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Material Business Risks

SenSen Networks Limited is subject to risks, a number of which may have a material adverse effect on operating and financial performance. SenSen's Risk Management Policy can be found within the Audit and Risk Committee Charter on its website. It is not possible to identify every risk that could affect the business or shareholders and the actions taken to mitigate these risks cannot provide absolute assurance that a risk will not materialise or have a material adverse effect on business strategies, assets or future performance of SenSen. A non-exhaustive list (in no particular order) of material risks and relevant mitigation strategies implemented by the Company are set out below.

Risk	Description and potential impact	Strategies used to mitigate the risk
Cost of materials	SenSen is not immune to rising cost of materials and equipment, in particular semi-conductors and computer chips which are important inputs into its product offering.	The Company's is managing this risk by moving from a just-in-time delivery model to holding some inventory at known prices. Further the company is embedding clauses in sales contracts that allow any significant change in the cost of equipment to be passed on to the customer.
Regulatory	The Company operates within a constantly changing regulatory environment and is required to respond to any changes to privacy regulations or regulations around the use of artificial intelligence.	The company monitors changes in the regulatory environment and has the ability to make changes to its software as is necessary to remain compliant.
Funding	The Company is striving to become cash flow positive in the near term, however the ability to raise funds to continue operating on a going concern basis remains a risk.	The Company actively manages its capital requirements and maintains close relationships with its existing investor base. The company maintains adequate cash and debt facilities to ensure it is able to pay its debts as they fall due.
People	The Company may lose key executives. The Company operates in a competitive environment in relation to attracting software development and technical personnel. The loss of key staff or the inability to attract personnel may adversely affect the Company's operations.	Identification of key people and the implementation of appropriate staff training as well as succession plans. The Company offers incentives and career development opportunities for key executives and senior management.
Product innovation and competitive advantage	Competitors may bring comparable products or technology to the market which may challenge SenSen's perceived advantage. Products and technologies developed by competitors may render the Company's product and platform obsolete or non-competitive.	The Company continuously monitors market developments and new products. SenSen continues to invest in its platform development to improve its intellectual property and services and regularly registers new patents for developments it makes in its software.

Environmental regulations

The Group is subject to environmental regulations in Australia and in foreign countries where it operates. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these environmental regulations.

DIRECTORS' REPORT

Directors' Meetings

The Company held five Directors' meetings during the year and two Audit and Risk Committee meetings. The attendances of the directors in office during the year at meetings of the Board and Committees were:

Director	Board of Directors		Audit and Risk Committee	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Subhash Challa	4	4	3	3
David Smith	4	4	3	3
Zenon Pasieczny	4	3	3	3
Heather Scheibenstock	4	4	3	3

For personal use only

DIRECTORS' REPORT

Remuneration Report (Audited)

The Directors are pleased to present the Company's 2022 remuneration report which sets out remuneration information for the Company's executive directors, non-executive directors and other key management personnel.

(a) Details of Directors and Key Management Personnel during the year ended 30 June 2022

Mr Subhash Challa, Executive Chairman
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director
Mrs Heather Scheibenstock, Executive Director
Mr Jonathan Cook, Chief Financial Officer

The above Key Management Personnel (KMP) are the KMP of the Company, there are no other KMP in the Group.

(b) Remuneration governance

The Company does not have a remuneration committee, with remuneration decisions made by the Board on:

- The over-arching executive remuneration framework
- Operation of the incentive plans which apply to the executive team including key performance indicators and performance hurdles
- Remuneration levels of executive directors and the key management personnel, and
- Non-executive director fees

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

(c) Executive remuneration policy and framework

Remuneration levels are competitively set to attract the most qualified and experienced directors and executives.

The remuneration structures outlined below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creating shareholder value.

The Board ensures that executive reward satisfies the following criteria for good reward corporate governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

The executive remuneration framework has two components

- base pay and benefits, including superannuation; and
- long-term incentives (LTIs) through participation in the SenSen Long Term Incentive Plan ("the Plan").

The payment of LTIs is conditional on the achievement of set performance criteria as outlined in detail later in the Remuneration Report.

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

(d) Long-term incentives (LTIs)

SenSen's Long-Term Incentive Plan ("The Plan") was approved by shareholders at the 2021 General Meeting (GM) on 15 July 2021. The Plan is designed to provide long-term incentives for employees including directors, to deliver long-term shareholder returns. Under the Plan, participants are granted LTI shares and options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

(e) Non-executive Director remuneration

Non-executive Directors receive director's fees plus superannuation contributions to a complying fund.

Fees are reviewed annually by the Board taking into account comparable roles and market data. These fees are subject to the annual limit outlined below.

(f) Shareholder approved Non-executive Directors' fees pool

The maximum annual aggregate non-executive directors' fee pool limit is \$400,000 and was approved by shareholders at the 2017 annual general meeting held on 30 November 2017.

(g) Voting and comments made at the company's 2021 Annual General Meeting

SenSen Networks Limited received more than 99.53% of 'yes' votes on its remuneration report for the 2021 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

(h) Group's performance and link to remuneration

In considering the consequences of the Company's performance on shareholder wealth the Board is focused on total shareholder returns. The Company's Long-Term Incentive Plan is heavily performance based and the vesting of Key Management Personnel and staff options is dependent on the company meeting specific revenue targets.

The factors that are considered to affect shareholder return in the past 5 years are summarised below:

Measures	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Share price at end of financial year	0.073	0.150	0.070	0.087	0.160
Market capitalisation at end of financial year (\$M)	\$47.5	\$74.5	\$31.3	\$36.4	\$65.8
Net Profit/(loss) for the financial year	(12,075,161)	(3,021,747)	(3,705,235)	(5,277,798)	(9,220,416)
Director and Key Management Personnel remuneration	2,562,297	1,167,619	1,182,298	1,544,576	2,048,914

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

(i) Details of Remuneration

2022	Short-term Employee Benefits		Post-Employment Benefit	Long-term	Share-based payments		Total	Performance related %
	Salary and Fees	Bonus	Super	Long Service Leave	Share Rights	Options		
Name	\$	\$	\$	\$	\$	\$	\$	
Directors								
S Challa	353,030	-	35,303	29,137	485,111	-	902,581	53.7%
D Smith	293,750	-	27,083	-	394,785	-	715,618	55.2%
Z Pasieczny	56,000	-	5,560	-	-	-	61,560	-
H Scheibenstock	218,333	-	21,833	-	238,727	-	478,893	49.8%
Other key management personnel								
J Cook (CFO)	220,000	-	22,000	-	161,645	-	403,645	40.05%
	1,141,113	-	111,779	29,137	1,280,268	-	2,562,297	50.0%

2021	Short-term Employee Benefits		Post-Employment Benefit	Long-term	Share-based payments		Total	Performance related %
	Salary and Fees	Bonus	Super	Long Service Leave	Share Rights	Options		
Name	\$	\$	\$	\$	\$	\$	\$	
Directors								
S Challa	315,000	-	29,925	13,269	-	-	358,194	-
D Smith	262,500	-	24,937	-	-	-	287,437	-
Z Pasieczny	50,400	-	4,788	-	-	-	55,188	-
H Scheibenstock	173,973	-	16,527	-	-	-	190,500	-
Other key management personnel								
J Cook (CFO)	219,333	-	6,967	-	50,000	-	276,300	18.1%
	1,021,206	-	83,144	13,269	50,000	-	1,167,619	4.3%

For personal use only

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

(j) Details of share-based payments

The share rights in the above table were issued as part of compensation to key management personnel during the year ended 30 June 2022 and 30 June 2021. No options over ordinary shares were issued as part of compensation to key management personnel during the years ended 30 June 2021 or 30 June 2022.

Share Rights

A new LTI scheme was approved by the Board of SenSen on 10 May 2021 and grants rights to shares to key employees of the Company over a three-year period, if certain targets are achieved. Shareholders voted at a general meeting of the Company on 15 July 2021 to approve 25,000,000 shares to be issued over three years for this scheme.

The number of shares to be issued will be calculated as follows:

- An agreed percentage of eligible employee's annual salary;
- Number of shares to be issued based on the 5 day Volume Weighted Average Price (VWAP) prior to the Company's Financial Year results announcement.
- A combination of an eligible employee's length of service and the Company meeting internal measure targets in the most recent Financial Year. Internal measure targets include:
 - Continual service period;
 - Revenue hurdles; and
 - EBITDA hurdles.

These hurdles are considered non-market vesting conditions and the probability of being met is taken into account when determining the expense to be recognised in each period.

The rights to shares were granted after 15 July 2021 (therefore with no impact in the 30 June 2021 financial year), and vest annually if the following three targets are achieved by SenSen executives:

Grants	Grant dates ¹	Target measures		
		Service	Revenue Target	EBITDA
2020/2021	29/07/21 – 25/08/21	50%	40%	10%
2021/2022	29/07/21 – 25/08/21	50%	40%	10%
2022/2023	29/07/21 – 25/08/21	50%	40%	10%

¹ For the different relative executives

The actual number of shares to be issued to each employee is based on the above fixed percentages of their salary at grant date. A summary of the value expensed, and the number of shares issued is detailed below.

Share rights to these three grants vest annually once the Company issues its Annual Report on or around 30 September. This report will provide revenue and EBITDA results that will be used to determine whether individual tranches vest. The following tables outline the individual annual hurdles/targets required in order for annual share rights to be awarded and vest:

Annual Hurdles/Targets

Service Target

Service	Percentage of Rights Vesting
Less than 12 months	Nil
Threshold: 1 year – 3 years	75%
Target: 3 years +	100%

The service target is assessed each year at 30 June.

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

Revenue Target

- First vesting date Revenue 40% greater than FY2020 Revenue recorded in the 30 June 2021 Annual Report
- Second vesting date Revenue 25% greater than hurdle - revenue established at first vesting date (i.e. audited full year revenue for FY2022)
- Third vesting date Revenue 25% greater than hurdle Revenue established at second vesting date (i.e. audited full year revenue for FY2023)
- Continued service to vesting date

EBITDA Target

- First vesting date EBITDA 25% greater than FY2020 EBITDA recorded in the 30 June 2021 Annual Report
- Second vesting date EBITDA 25% greater than hurdle EBITDA established at first vesting date (i.e. audited full year EBITDA for FY2022)
- Third vesting date EBITDA 25% greater than hurdle EBITDA established at second vesting date (i.e. audited full year EBITDA for FY2023)
- Continued service to vesting date

These share rights are issued for nil consideration based on a five-day VWAP of the Company's share price prior to the lodgment of the Annual Report based on the relevant percentage of the executive's salary.

Share-based compensation

The terms and conditions of each grant of share rights affecting remuneration in the current or a future reporting period are as follows:

Name	Grant Date	Salary (as at 1 August 2021 exc Super)	Percentage eligible to be earned each year	Potential value of LTI Shares each year ¹
S Challa	25/08/2021	\$363,636	50%	\$181,818
D Smith	25/08/2021	\$302,500	50%	\$151,250
H Scheibenstock	29/07/2021	\$220,000	45%	\$99,000
J Cook (CFO)	30/07/2021	\$220,000	40%	\$88,000

¹ Excludes any further discretionary grants that may be awarded each year.

2021 Tranche Summary

Name	Potential value of LTI Shares each year	Tranche 1 - 2021					Discretionary Grant ²	Total	Number of Shares issued ¹
		Service	Revenue	EBITDA	EBITDA - Stretch				
		50%	40%	10%	20%	N/A			
S Challa	\$181,818	\$90,909	\$72,727	\$18,182	-	\$50,091	\$231,909	1,763,568	
D Smith	\$151,250	\$75,000	\$60,000	\$15,000	-	\$34,153	\$184,153	1,400,403	
H Scheibenstock	\$99,000	\$49,500	\$39,600	\$9,900	-	-	\$99,000	752,852	
J Cook (CFO)	\$88,000	\$33,000	\$35,200	\$8,800	-	-	\$77,000	585,551	

¹ Share issued based on the 5 day VWAP of the Company's share price prior to the lodgment of the 2021 Annual Report of \$0.132 (rounded)

² Discretionary grant related to an additional grant of equity instruments as decided by the board. The board provided this discretionary grant to cover additional costs incurred by individuals associated with the company's previous option plan.

In respect of the service element above for 2021 S Challa, D Smith and H Scheibenstock have served greater than 3 years and were entitled to the full 'Service Target' grant. J Cook had served between 1 – 3 years and was entitled to 75% of the 'Service Target'.

For 2021 the Revenue and EBITDA targets were met and the EBITDA - Stretch target was not met as shown below:

Target Measure	Target \$	Actual Result	Target met?
Revenue	\$5,268,936	\$5,532,537	Yes
EBITDA	(\$2,322,738)	(\$2,280,897)	Yes
EBITDA Stretch	(\$2,013,040)	(\$2,280,897)	No

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

2022 Tranche Summary

Name	Potential value of LTI Shares each year	Tranche 2 - 2022						
		Service	Revenue	EBITDA	Revenue – Stretch	Discretionary Grant	Total	Shares issued ¹
		50%	40%	10%	20%	N/A		
S Challa	\$181,818	\$90,909	\$72,727	-	\$14,545	-	\$178,181	-
D Smith	\$151,250	\$75,625	\$60,500	-	\$12,100	-	\$148,225	-
H Scheibenstock	\$99,000	\$49,500	\$39,600	-	\$7,920	-	\$97,020	-
J Cook (CFO)	\$88,000	\$33,000	\$35,200	-	\$7,040	\$9,405	\$84,645	-

¹ Final number of shares to be issued will be determined based on a five-day VWAP of the Company's share price prior to the lodgment of the 30 June 2022 Annual Report.

In respect of the service element above for 2022 S Challa, D Smith and H Scheibenstock have served greater than 3 years and were entitled to the full 'Service Target' grant. J Cook had served between 1 – 3 years and was entitled to 75% of the 'Service Target'.

For 2022 the Revenue and Revenue Stretch targets are expected to be met and the EBITDA target is not expected to be met as shown below:

Target Measure	Target \$	Actual Result	Target met?
Revenue	\$6,915,671	\$9,145,423	Yes
EBITDA	(\$1,710,673)	(\$10,500,744)	No
Revenue Stretch	\$7,468,925	\$9,145,423	Yes

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

2023 Tranche Summary

Name	Potential value of LTI Shares each year	Tranche 3 - 2023						Total ²	Shares issued ¹
		Service ³	Revenue	EBITDA	Revenue – Stretch	Discretionary Grant			
		50%	40%	10%	20%	N/A			
S Challa	\$181,818	\$33,342	\$33,342	\$8,336	-	-	\$75,020	-	
D Smith	\$151,250	\$27,737	\$27,737	\$6,933	-	-	\$62,407	-	
H Scheibstock	\$99,000	\$18,981	\$18,981	\$4,745	-	-	\$42,707	-	
J Cook (CFO)	\$88,000	-	-	-	-	-	-	-	

¹ Final number of shares to be issued will be determined based on a five-day VWAP of the Company's share price prior to the lodgment of the 30 June 2023 Annual Report.

² This amount represents the proportionate expense related to the 2022 year. The remaining amounts will be expensed in 2023 dependent on the targets being met.

³ Represents an 80% probability of the relevant executive meeting the service requirement.

In respect of the service element above for 2023 S Challa, D Smith and H Scheibstock will have served greater than 3 years and were entitled to the full 'Service Target' grant. J Cook's notification of resignation resulted in no charge being incurred for the third year as the service condition will not be met.

For 2023 the Revenue and EBITDA targets are expected to be met and the Revenue Stretch target is not expected to be met as shown below:

Target Measure	Target \$	Actual Result	Target met? ⁴
Revenue	\$11,431,779	N/A	Yes
EBITDA	(\$7,875,558)	N/A	Yes
Revenue Stretch	\$12,346,321	N/A	No

⁴ Represents current expectations for each target. These will be trued up to reflect the actual results when known.

Summary of Total LTI Remuneration

Name	Grant Date	Total 30 June 2022 LTI Remuneration
S Challa	25/08/2021	\$485,111
D Smith	25/08/2021	\$394,785
H Scheibstock	29/07/2021	\$238,727
J Cook (CFO)	30/07/2021	\$161,645

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

(k) Key Management Personnel Shareholdings

(i) Option holdings of key management personnel in SenSen Networks Limited

2022	Balance at 1 July 2021	Granted as remuneration	Options forfeited or lapsed	Balance as at 30 June 2022	Total Vested	Total Non-vested
S Challa	6,340,620	-	6,340,620	-	-	-
D Smith	4,323,150	-	4,323,150	-	-	-

2021	Balance at 1 July 2020	Granted as remuneration	Options forfeited or lapsed	Balance as at 30 June 2021	Total Vested	Total Non-vested
S Challa	12,940,620	-	6,600,000	6,340,620	-	6,340,620
D Smith	8,823,150	-	4,500,000	4,323,150	-	4,323,150

During the year, no options were exercised by directors or other key management personnel.

LTI Incentive Options fully expired during the year ended 30 June 2022.

(ii) Shareholdings of key management personnel in SenSen Networks Limited

2022	Balance at 1 July 2021	LTI Shares issued as remuneration	Shares issued on exercise of options	Other changes during the year ²	Balance held at 30 June 2022
Directors					
S Challa	80,217,828	1,763,568	-	4,166,666	86,148,062
D Smith	11,619,157	1,400,403	-	833,334	13,852,894
Z Pasieczny	46,876,259	-	-	250,000	47,126,259
H Scheibenstock	227,300	752,852	-	208,333	1,188,485
Other KMP					
J Cook (CFO)	205,714	930,379 ¹	-	1,205,574	2,341,667
Total	139,146,258	4,847,202	-	6,663,907	150,657,367

¹ Includes 344,828 shares issued in the 2022 financial year related to a grant that was expensed in 2021.

² Other changes in management shareholdings of 6,663,907 shares during the year relate to shares acquired under the Company's share purchase plan, or via on market purchases in the period.

2021	Balance at 1 July 2020	LTI Shares issued as remuneration	Shares issued on exercise of options	Other changes during the year	Balance held at 30 June 2021
Directors					
S Challa	80,217,828	-	-	-	80,217,828
D Smith	11,619,157	-	-	-	11,619,157
Z Pasieczny	46,876,259	-	-	-	46,876,259
H Scheibenstock	227,300	-	-	-	227,300
Other KMP					
J Cook (CFO)	205,714	-	-	-	205,714
Total	139,146,258	-	-	-	139,146,258

None of the shares above are held nominally by the directors or any of the other key management personnel.

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

(l) Loans from key management personnel

There were no loans made with key management personnel during 30 June 2022 (2021: nil).

The company has an undrawn loan facility of \$500,000 with Subhash Challa. The loan incurs an interest rate of 4.95% per annum. The loan has no fixed maturity date.

(m) Other transactions with key management personnel

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2022 or 30 June 2021.

(n) Service Agreements with key management personnel

The Company's policy is to enter into service contracts with executive directors and senior executives on appointment that are unlimited in term but capable of termination on specified notice periods; and that the Company has the right to terminate the contract immediately by making payment equal to the specified notice period as pay in lieu of notice other than for misconduct when termination is immediate. The executive directors and senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave.

The service contract outlines the components of remuneration paid to the executive directors and key management personnel but does not prescribe how remuneration levels are modified year to year.

Details of contracts with the current Directors and KMP of the Group that received remuneration during the 2022 financial year are set out below:

Director / KMP	Terms of Agreement	Base salary including superannuation	Termination benefit	Notice period
S Challa	Ongoing	\$388,333	6 Months	6 Months
D Smith	Ongoing	\$320,833	6 Months	6 Months
Z Pasieczny	Ongoing	\$61,560	Not Applicable	Not Applicable
H Scheibenstock	Ongoing	\$240,167	1 Month	1 Month
J Cook	Ongoing	\$242,000	1 Month	1 Month

End of Remuneration Report (Audited)

DIRECTORS' REPORT

SenSen Corporate Governance Summary

SenSen is committed to ensuring that its corporate governance framework, policies and practices are of a high standard. Delivering on this commitment involves SenSen having a solid understanding of current governance requirements and practices, as well as being familiar with emerging governance trends and ever-changing stakeholder expectations.

Throughout FY22, SenSen Network's corporate governance procedures were consistent with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council (ASX Principles), and detailed explanations where it didn't meet the recommendations.

SenSen's 2022 Corporate Governance Statement is available at sensen.ai/CorporateGovernance.

SenSen's 2022 Corporate Governance Statement outlines SenSen's arrangements in relation to its Board, Board Committees, Executive Team, risk management framework and financial reporting, diversity, corporate governance policies and shareholder engagement.

Auditor's Independence Declaration

The directors received the Independence Declaration from the lead auditor of SenSen Networks Limited which is appended to this report on page 33.

Non-Audit Services

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, BDO Audit Pty Ltd, and its related practices:

Other non-assurance services	\$
Tax compliance services	187,213
	187,213

Details of the amounts paid or payable to the Company's auditor and related practices of the auditor for non-audit services provided during the year are set out above. The Board has considered the position and in accordance with advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act.

Indemnifying and Insurance of Directors and Officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors and key management personnel of the Company as named above, the Company Secretary, and all executive officers of the Company against any liability incurred as such by Directors, the Secretary or Executive Officers 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.

No indemnification has been obtained for the auditors of the Company or the Group.

DIRECTORS' REPORT

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 any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

This report has been signed in accordance with a resolution of the directors.



Subhash Challa, Chairman
Date: 30 Sep 2022

For personal use only

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF SENSEN NETWORKS LIMITED

As lead auditor of SenSen Networks Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SenSen Networks Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2022

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	Consolidated	
		2022 \$	2021 \$
Revenue from contracts from customers			
Revenue from contracts with customers	3	9,145,423	5,532,537
Cost of sales and providing services		(3,512,830)	(2,029,646)
Gross Profit		5,632,593	3,502,891
Other income	3	2,977,606	2,806,681
Interest income	3	8,632	5,698
Expenses			
Administration expense		(2,083,319)	(884,455)
Advertising & marketing		(816,010)	(212,905)
Consulting expense		(3,639,972)	(3,049,132)
Finance cost		(262,408)	(181,484)
Occupancy cost	4	(410,221)	(179,793)
Staff costs	4	(8,868,494)	(4,031,940)
Technology costs	4	(1,511,697)	(719,478)
Share based payments	30	(3,173,353)	(72,288)
Fair value gain or loss		(153,565)	-
Loss before income tax		(12,300,208)	(3,016,205)
Income tax (expense)/benefit	5	225,047	(5,542)
Loss for the period		(12,075,161)	(3,021,747)
Loss attributable to members of the parent entity		(12,075,161)	(3,021,747)
		(12,075,161)	(3,021,747)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(26,101)	43,327
Other comprehensive income		(26,101)	43,327
Total comprehensive income for the year		(12,101,262)	(2,978,420)
Loss per share:			
Basic and diluted loss per share (cents)	6	(1.99)	(0.62)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position As at 30 June 2022

	Note	Consolidated	
		2022 \$	2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	6,213,860	5,176,464
Trade and other receivables	10	1,943,338	978,742
Contract assets	11	561,671	348,170
Inventory	13	231,790	241,394
Other assets	12	2,440,441	1,277,078
Total Current Assets		11,391,100	8,021,848
Non-Current Assets			
Intangibles	15	2,649,352	916,667
Goodwill	15	5,632,016	383,399
Right of use asset	16	335,780	409,102
Other assets		74,691	67,642
Property, plant and equipment	14	434,666	390,820
Total Non-Current Assets		9,126,505	2,167,630
TOTAL ASSETS		20,517,605	10,189,478
LIABILITIES			
Current Liabilities			
Trade and other payables	17	1,238,557	750,357
Contract liabilities	18	1,156,667	521,874
Contingent consideration liability	19	1,362,565	-
Other liabilities	17	1,449,175	937,057
Employee benefits	20	652,314	263,687
Lease liabilities	16	185,428	305,659
Borrowings	21	1,954,375	861,280
Total Current Liabilities		7,999,081	3,639,914
Non-Current Liabilities			
Employee benefits	17	18,577	105,983
Lease liabilities	16	182,826	138,129
Total Non-Current Liabilities		201,403	244,112
TOTAL LIABILITIES		8,200,484	3,884,026
NET ASSETS		12,317,121	6,305,452
EQUITY			
Issued capital	22	57,856,852	41,649,827
Reserves	23	5,477,140	3,597,335
Accumulated losses		(51,016,871)	(38,941,710)
TOTAL EQUITY		12,317,121	6,305,452

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity
For the year ended 30 June 2022

<u>Consolidated</u>	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2020	33,159,693	(35,919,963)	3,481,720	721,450
Loss for the period	-	(3,021,747)	-	(3,021,747)
Other comprehensive income for the period	-	-	43,327	43,327
Total comprehensive income for the period	-	(3,021,747)	43,327	(2,978,420)
Transactions with owners in their capacity as owners				
Shares issued during the year (see note 22)	8,597,634	-	-	8,597,634
Capital raising costs (see note 22)	(107,500)	-	-	(107,500)
Share Based Payments	-	-	72,288	72,288
Total transactions with owners for the period	8,490,134	-	72,288	8,562,422
Balance at 30 June 2021	41,649,827	(38,941,710)	3,597,335	6,305,452
Balance at 1 July 2021	41,649,827	(38,941,710)	3,597,335	6,305,452
Loss for the period	-	(12,075,161)	-	(12,075,161)
Other comprehensive income for the period	-	-	(26,101)	(26,101)
Total comprehensive income for the period	-	(12,075,161)	(26,101)	(12,101,262)
Transactions with owners in their capacity as owners				
Shares issued during the year (see note 22)	14,939,578	-	-	14,939,578
Share Based Payments (note 30)	-	-	3,173,353	3,173,353
Transfer from reserves (note 22)	1,267,447	-	(1,267,447)	-
Total transactions with owners for the period	16,207,025	-	1,905,906	18,112,931
Balance at 30 June 2022	57,856,852	(51,016,871)	5,477,140	12,317,121

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows
For the year ended 30 June 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		8,923,889	4,676,093
Payments to suppliers and employees		(18,644,466)	(9,545,506)
Interest received		8,632	3,683
Interest paid		(125,957)	(131,037)
Government grants received		1,950,640	1,618,995
Income tax paid		-	(31,204)
Net cash used in operating activities	9(a)	(7,887,262)	(3,408,976)
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	25	(1,080,000)	-
Purchase of plant and equipment	14	(253,996)	(252,554)
Deposits		(107,219)	
Net cash used in investing activities		(1,441,215)	(252,554)
Cash flows from financing activities			
Proceeds from issue of shares	22	9,996,492	7,150,000
Transaction costs related to issue of shares	22	(352,076)	(107,500)
Repayment of lease liabilities	9(b)	(398,542)	(252,848)
Proceeds from borrowings	9(b)	2,300,000	880,000
Repayment of borrowings	9(b)	(1,180,000)	(1,294,301)
Net cash provided by financing activities		10,365,874	6,375,351
Net increase in cash and cash equivalents		1,037,397	2,713,821
Cash and cash equivalents at beginning of the financial year		5,176,463	2,462,642
Cash and cash equivalents at end of financial year	8	6,213,860	5,176,463

The above Consolidated Statement of Cashflows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2022

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the financial statements and notes of SenSen Networks Limited, a listed public company incorporated and domiciled in Australia.

The separate financial statements of the parent entity, SenSen Networks Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 30 September 2022 by the directors of the company.

(a) 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 and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements. For the year ended 30 June 2022 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 parent entity is disclosed in note 31.

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Changes to presentation – classification of expenses

SenSen Networks Limited decided in the current financial period to change the classification of its expenses in the consolidated statement of profit or loss and other comprehensive income, as it is believed this will provide more relevant information to our stakeholders, and is more in line with common practice in the industry SenSen Networks Limited is operating in. The comparative information has been reclassified accordingly.

Significant Accounting Policies

(b) Going concern basis

The consolidated financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As disclosed in the consolidated financial statements, the group has net operating cash outflows during the year ended 30 June 2022 of \$7,887,262 (30 June 2021: \$3,408,976) and as at 30 June 2022 has a net asset position of \$12,317,121 (30 June 2021: \$6,305,452). The Group also generated a loss after tax for the year ended 30 June 2022 of \$12,075,161 (30 June 2021: \$3,021,747).

The ability of the Group to continue as a going concern is principally dependent upon the following conditions:

- The ability to meet its internal cash flow forecasts, in particular the Group's revenue growth targets and reductions in operating cost expectations;
- The ability of the Group to draw down on its unused loan facilities; and
- The ability of the Group to raise sufficient capital as and when necessary.

These conditions give rise to material uncertainty, which may cast significant doubt over the Groups ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the Group has prepared a cash flow forecast based on reasonable assumptions that the directors believe are achievable;
- The directors believe that the Group has the ability to scale back expenditure as and when required to preserve cash if needed;
- The directors do not expect any further significant impact on the Group from COVID-19; and
- The Group has demonstrated the ability to raise capital when required.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue Recognition

AASB 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

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

- **Smart Cities:** civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.
- **Gaming:** delivering accurate actionable insights to casinos about table occupancy, hands per hour, bet type and value for every bet placed on the gaming floor.
- **Retail:** Provide anti-theft and debt recovery services to fuel retailers.

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

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

AASB 15 Revenue from Contracts with Customers

Sale of Hardware, Software Licence and Customised Installation

In relation to the sale of Hardware and Software Licences, the Group concludes that these sales are highly interrelated and interdependent with the installation therefore not capable of being distinct. The performance obligation in relation to sales is satisfied when the installation is complete. The licences granted to customers provide a right for them to access the software.

Further, the Group sells the software licences in some cases bundled with a maintenance period. After the initial period of maintenance, the customer has the option to sign-up for additional periods of maintenance.

The maintenance is distinct on its own. The software remains functional after installation without updates, support and software maintenance and therefore is not integrated with the other goods or services. Further, the customer can continue to utilise the software without the maintenance (the customer can still retain continued functionality of the software for a reasonable period of time after installation). Thus, the Group concludes that the customer can benefit from the maintenance on its own and the criterion in paragraph 27(a) of AASB 15 is met. In addition, the maintenance is distinct within the context of the contract and the criterion in paragraph 27(b) of AASB 15 is met. Maintenance is recognised over the period the services are provided. Revenue is measured on a straight-line basis, which best depicts the Group's performance.

Service contracts

Identifying performance obligations

Service contracts generally include a number of key deliverables. The Group observed that these key deliverables are considered tasks and not distinct on their own. That is, the customer cannot benefit from the good or service either on its own or together with other resources that are readily available to the customer. Therefore, the criterion in paragraph 27(a) of AASB 15 is not met. Further, the tasks are considered inputs to produce the combined output (i.e. software development of customer's new/existing software) specified in the contract (paragraph 29(a) of AASB 15). Therefore, the criterion in paragraph 27(b) of AASB 15 (on the basis of the factors in paragraph 29 of AASB 15) is not met.

The Group concludes that there is one performance obligation which is the service contracts. Revenue on service contracts is measured on a straight-line basis, which best depicts the Group's performance.

Customer contracts with multiple performance obligations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of obtaining a customer contract

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

Unsatisfied performance obligations

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

Financing components

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

Standard payment terms

Standard payment terms on customer invoices is disclosed in note 1 (i) below.

(d) Changes in Accounting Policies

New accounting standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2022. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, being the most relevant to the Consolidated Entity, are set out below.

AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current

These changes are applicable from annual periods beginning on or after 1 January 2023. There are four main changes to classification requirements.

- (1) The requirement for an unconditional right has been deleted because covenants in banking agreements would rarely result in unconditional rights.
- (2) The right to defer settlement must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date.
- (3) Classification is based on the right to defer settlement, and not the intention.
- (4) If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity.

As these amendments only apply for the first time to the 30 June 2024 balances (and 30 June 2023 comparative balances), the Consolidated Entity is not yet able to make an assessment of the impacts regarding the right to defer settlement, compliance with bank covenants, and intention to settle.

AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates

These amendments introduce a definition of 'accounting estimate', i.e. monetary amounts in financial statements that are subject to estimation uncertainty, such as estimating expected credit losses for receivables. Accounting estimates are developed using measurement techniques and inputs. The amendments clarify that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input. The amendments also indicate that only material accounting policy information must be disclosed in the financial statements.

There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to changes in accounting estimates that occur on or after the beginning of the first annual reporting period to which these amendments apply, which is annual periods beginning on or after 1 July 2023.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods. The Consolidated Group has decided against early adoption of these standards. The Consolidated Group has assessed the impact of these new standards and interpretations and does not expect that there would be a material impact on the Consolidated Group in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Business combinations and asset acquisitions

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of profit or loss and other comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisitions of entities that do not meet the definition of a business contained in AASB 3 Business Combinations (IFRS 3) are not accounted for as business combinations. In such cases the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in AASB 138 Intangible Assets (IAS 38) and liabilities assumed. The cost of the group of net assets is then allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Except for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

(f) Income tax

The income tax for expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a 'legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

SenSen Networks Limited and its fully owned Australian subsidiary SenSen Networks Group Pty Limited have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fair value of assets and liabilities

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

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

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

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

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

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade receivables and other receivables, both of which generally have 30-day terms, are non-interest bearing and are recognised and carried at amortised cost using the effective interest rate method, less allowance for credit losses. These receivables are classified as current assets unless not recoverable within 12 months after reporting period

(j) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The amounts are unsecured and are usually paid within 30 days from date of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using effective interest method.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Property, plant and equipment

Property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(n) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Depreciation

The depreciable amount of all fixed assets is depreciated on either a diminishing value or a straight-line basis over the asset's useful life from the time the asset is ready for use. The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation rate per annum
Computer equipment	33 – 50%
Furniture and equipment	20 – 33%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An assets recoverable amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(m) Intangible assets

Goodwill

Goodwill is measured as per the Business Combination policy in note 1 (e). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Intellectual Property

Separately acquired intellectual property is shown at historical cost. Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

The useful live applied to the recognised intellectual property is 7 years.

Acquired Intangible Assets

Acquired intangible assets, including brand names, technology and customer contracts are recorded at fair value at date of acquisition. These assets have a finite useful life and are subsequently carried at fair value less accumulated amortisation and impairment losses.

The useful lives applied to these assets are as follows:

- Brand names – 5 years
- Technology – 5 years
- Customer contracts – 6 years

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Software developed or acquire for sales and licensing

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new areas of products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs and acquired software are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from three to five years.

(n) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(p) Employee benefits – short term obligations

Liabilities for wages and salaries, including non-monetary benefits and personal leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Employee benefits – long term obligations

The Group also has liabilities for long service leave that is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms that match the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Equity-settled compensation

The Group provides benefits to employees (including senior executives) and consultants of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, or Black-Scholes model, further details of which are given in Note 30. The fair value of shares is determined by the market value of the Group's shares at grant date.

In valuing equity-settled transactions, any performance conditions are taken into account if relevant and assumptions around the likelihood of meeting these performance conditions are factored into the valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(r) Leases

The group leases office space and motor vehicles. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, and range between one and three years. These assets are also subject to impairment, as per Note 1(n).

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

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 guarantee; lease term; certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down. The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less (with no extension options) and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Inventory

The Group's inventory consists of hardware and other finished goods, which are stated at the lower of cost and net realisable value. Cost comprises direct purchase price and is determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

The Group measures financial instruments under the requirements of AASB 9. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets

Financial assets (trade and other receivables) and financial liabilities are classified at amortised cost, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

In determining the impairment of financial assets under AASB 9, an expected credit loss model is applied. To reflect changes in credit risk, this expected credit loss (ECL) model requires the group to account for expected credit loss since initial recognition. The Group applies the AASB 9 simplified approach to measuring expected credit losses which used lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. The contract assets relate to unbilled work in progress and unbilled software and hardware sales and have substantially the same characteristics as the trade receivables for the same types of contracts. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

(t) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(u) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(v) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(w) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions.

Research and development tax incentive

The company is eligible for the Commonwealth Government research and development tax incentive. To be eligible the company must meet stringent guidelines on what represents both core and supporting activities of research and development. Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

(x) Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1 (e)).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(y) Segment reporting

Refer to note 2 for the accounting policy and disclosures relating to the Group's operating segments.

(z) Contributed equity

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit/(loss) attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share is calculated by dividing:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. The more significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Share-based payments (note 30)

The estimation of the likelihood of meeting performance conditions on Long Term Incentive Performance Options has been based on historical experience and management judgement. In addition, this estimate is assessed annually and considered in the context of actual Group performance.

(ii) Recognition of revenue (note 1 (c))

The Group recognises revenue from either individual or multiple element arrangements such as hosting and installation, an assessment is made as to whether these give rise to separate performance obligations which are accounted for using the methods outlined in Note 1 (c) for each individual element contained within the contract.

(iii) Impairment of goodwill and intangible assets (note 1 (n))

The Group is required to perform an annual impairment assessment of goodwill and *indefinite* life intangible assets, comparing the recoverable amount (i.e. the value-in-use) of the cash-generating unit to the carrying value of the cash-generating unit. Assumptions are applied in this assessment, including the forecast period growth of the cash-generating unit, the long term growth rate and the discount rate of the cash-generating unit.

(iv) Government Grants (note 1 (v))

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions.

(v) Research and development tax incentive

The company is eligible for the Commonwealth Government research and development tax incentive. To be eligible the company must meet stringent guidelines on what represents both core and supporting activities of research and development. Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENT REPORTING

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

AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment.

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

- Smart Cities;
- Casinos;
- Retail;
- Product and Operations; and
- Corporate (not considered a separate segment).

Following the acquisition of Scancam in July 2021, the company added the retail segment to its areas of operation. The Scancam business was acquired as a stand-alone business and as such the costs associated with this business are easily identifiable at present. This business accesses the retail fuel sales market which is not a market where SenSen previously participated.

As SenSen has grown, a product and operations resource pool has been developed which provides software development, support and expertise for all of the company's products and its customers. Reported as the Product and Operations segment, this pool is responsible for developing SenSen's technology and product offering, as well as providing annotation to support artificial intelligence learning and customer support services. These costs can not be meaningfully allocated to a particular customer facing segment and as a result are categorised separately.

Further to the inclusion of the Retail and Product and Operations segments, the company has decided to show a Corporate segment for costs which are not easily split across the market segments in which it operates. These costs include general management, facilities and other corporate services consistent with running an ASX listed company operating internationally.

NOTES TO THE FINANCIAL STATEMENTS

Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable segment:

	Smart Cities \$	Gaming \$	Retail \$	Product & Ops \$	Corporate \$	Consolidated \$	Smart Cities \$	Gaming \$	Retail \$	Product & Ops \$	Corporate \$	Consolidated \$
	2022						2021					
Segment performance revenue												
Point in Time	1,645,864	550,452	1,306,230	-	-	3,502,545	2,292,252	566,464	-	-	-	2,858,716
Over Time	4,231,732	276,789	1,134,357	-	-	5,642,877	2,513,372	160,449	-	-	-	2,673,821
Total revenue	5,877,596	827,241	2,440,587	-	-	9,145,423	4,805,624	726,913	-	-	-	5,532,537
Other Income	-	-	-	-	2,986,237	2,986,237	-	-	-	-	2,812,380	2,812,380
Cost of Sales	(2,081,349)	(253,694)	(1,177,787)	-	-	(3,512,830)	(1,623,260)	(406,386)	-	-	-	(2,029,646)
Gross Profit	3,796,247	573,547	1,262,801	-	-	5,632,595	3,182,364	320,527	-	-	-	3,502,891
Staff & Consulting Staff Costs (Direct)	(2,154,131)	(763,884)	(977,795)	(4,612,378)	(1,429,675)	(9,937,863)	(1,029,859)	(566,901)	-	(873,634)	(1,165,685)	(3,636,079)
Segment Contribution	1,642,115	(190,337)	285,006	(4,612,378)	(1,429,675)	(4,305,269)	2,152,504	(246,373)	-	(873,634)	(1,165,685)	(133,188)
Indirect Expenses												
Administration expense	(142,857)	(2,202)	(470,220)	-	(1,468,039)	(2,083,319)	-	-	-	-	(2,063,360)	(2,063,360)
Advertising & Marketing	(316,290)	(15,304)	(74,614)	-	(409,802)	(816,010)	(43,718)	(14,036)	-	-	(155,151)	(212,905)
Consulting expense	-	-	(212,150)	-	(2,358,452)	(2,570,602)	-	-	-	-	(2,266,088)	(2,266,088)
Finance Cost	(76,602)	(1,391)	(189)	-	(184,226)	(262,408)	(21,743)	(323)	-	-	(159,418)	(181,484)
Occupancy Cost	-	-	(83,496)	(208,768)	(117,956)	(410,221)	-	-	-	(140,311)	(39,482)	(179,793)
Technology Costs	(952,761)	-	(168,049)	-	(390,888)	(1,511,697)	(71,107)	-	-	-	(648,371)	(719,478)
Share Based Payments	(297,597)	(248,978)	(110,065)	-	(2,516,713)	(3,173,353)	-	-	-	-	(72,288)	(72,288)
Fair value gain or loss	-	-	(153,565)	-	-	(153,565)	-	-	-	-	-	-
Total Indirect Expenses	(1,786,107)	(267,875)	(1,272,348)	(208,768)	(7,446,077)	(10,981,175)	(136,568)	(14,360)	-	(140,311)	(5,404,157)	(5,695,396)
Net loss for the period	(143,992)	(458,212)	(987,342)	(4,821,147)	(5,889,514)	(12,300,207)	2,015,936	(260,733)	-	(1,013,945)	(3,757,462)	(3,016,204)
Depreciation and amortisation	(142,857)	-	(393,458)	-	(576,748)	(1,113,063)	-	-	-	-	(544,738)	(544,738)
Share-based payment expense	(297,597)	(248,978)	(110,065)	-	(2,516,713)	(3,173,353)	-	-	-	-	(72,288)	(72,288)

NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENT REPORTING

The following is an analysis of the Group's revenue by reportable geographic segment.

	Smart Cities	Gaming	Retail	Consolidated	Smart Cities	Gaming	Retail	Consolidated
	\$	\$		\$	\$	\$		\$
	2022				2021			
Segment performance Revenue								
Geographies								
Asia	240,805	437,523	-	678,328	399,599	523,139	-	922,738
ANZ	3,164,131	389,718	2,440,587	5,994,436	2,412,511	203,774	-	2,616,285
North Americas	2,472,660	-	-	2,472,660	1,993,514	-	-	1,993,514
Total Revenue	5,877,596	827,241	2,440,587	9,145,423	4,805,624	726,913	-	5,532,537

The Group does not report the net profit/(loss) or net assets by geographic stream to the Chief Operating Decision Maker, and as such, these balances are not considered relevant for segment reporting.

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

	Consolidated	
	30-Jun-22	30-Jun-21
	\$	\$
Revenue from contracts with customers		
Revenue recognised at a point in time	3,502,546	2,858,716
Revenue recognised over time	5,642,877	2,673,821
Total Revenue	9,145,423	5,532,537
Other Income		
Interest received	8,632	5,698
Gain on loan conversion to equity	-	-
Government subsidy/grant	-	47,891
Research and Development Grant	2,977,606	2,758,790
Total Other Income	2,986,238	2,812,379
Total revenue and other income	12,131,661	8,344,916

4. EXPENSES

		Consolidated	
		2022	2021
	Note	\$	\$
Finance costs – interest paid to other persons		262,408	181,484
Depreciation	14	215,150	290,051
Amortisation of intangibles	15	536,315	
Depreciation – Right of use asset	16	361,598	263,773
		1,113,063	553,824
Administration expenses includes the following material balances			
Total Depreciation and amortisation		1,113,063	553,824
Other general administration expenses		970,256	330,631
Total administration expenses		2,083,319	884,455
Staff Costs			
Contributions to defined contribution superannuation funds	(a)	491,282	237,491
Wages & other staff expenses		8,377,212	3,794,449
Total Staff Costs		8,868,494	4,031,940
Occupancy costs		410,221	179,793
Technology Costs		1,511,697	719,478

(a) Contributions to defined contribution plans are expensed when incurred.

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX

		Consolidated	
		2022	2021
		\$	\$
(a)	Major components of income tax benefit (expense)		
	Current tax expense		
	Current tax expense	78,512	7,052
	Deferred tax expense		
	Relating to origination and reversal of temporary differences	(303,560)	(1,510)
	Total income tax expense/(benefit)	<u>(225,047)</u>	<u>5,542</u>
		Consolidated	
		2022	2021
		\$	\$
(b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	(12,300,208)	(3,016,204)
	Tax at the Australian tax rate of 25.0% (2021: 26.0%)	(3,075,052)	(784,213)
	<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
	Non-deductible items	899,143	51,966
	(Over)/Under provision for tax in the previous year	336,746	97,555
	Accounting expenditure subject to R&D tax incentive	1,262,993	928,853
	Other income not included in assessable income	(660,504)	(1,021,652)
	Other	(5,075)	199,841
	Deferred tax asset not recognised on temporary differences	1,016,702	533,192
	Total Income tax expense/(benefit)	<u>(225,047)</u>	<u>5,542</u>
		Consolidated	
		2022	2021
		\$	\$
(c)	Deferred Income Tax		
	Deferred income tax at 30 June relates to the following:		
	Deferred Tax Assets		
	Sundry creditors and accruals	11,374	7,572
	Provisions	192,309	162,061
	Borrowing expenses	-	-
	Share issue costs	86,540	36,500
	Section 40-880 Deduction	76,059	40,889
	Depreciation	60,860	2,182
	Other	187,472	117,366
	Tax losses carried forward	2,608,596	1,631,836
	Deferred tax asset not recognised	(2,918,197)	(1,998,406)
		<u>305,013</u>	<u>-</u>
	Acquired intangibles	<u>(305,013)</u>	<u>-</u>
	Net DTA	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX (CONTINUED)

The benefit of the deferred tax asset will only be obtained if:

- (i) future assessable income of a nature and of an amount sufficient to enable the benefit to be realised is generated;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

(d) Movements in deferred tax assets

Year ended June 2022	Charged/credited to				30 June 2022
	1 July 2021	Profit or Loss	Directly to equity	Acquisition of subsidiary	
Sundry creditors and accruals	7,572	2,348		1,454	11,374
Provisions	162,061	30,248			192,309
Borrowing expenses	-				-
Share issue costs	36,500		50,040		86,540
Section 40-880 Deduction	40,889	35,170			76,059
Depreciation	2,182	58,678			60,859
Other	117,366	70,106			187,472
Tax Losses Carried Forward	1,631,836	976,760			2,608,596
Deferred tax asset not recognised	(1,998,406)	(869,751)	(50,040)		(2,918,197)
Offset against deferred tax liability	-	-	-	-	(305,013)
	-	303,559	-	1,454	305,013

Year ended June 2021	Charged/credited to				30 June 2021
	1 July 2020	Profit or Loss	Directly to equity	Acquisition of subsidiary	
Sundry creditors and accruals	19,566	(11,994)	-	-	7,572
Provisions	54,793	107,268	-	-	162,061
Borrowing expenses	102	(102)	-	-	-
Share issue costs	33,000	(24,450)	27,950	-	36,500
Section 40-880 Deduction	94,165	(53,276)	-	-	40,889
Depreciation	13,343	(11,161)	-	-	2,182
Other	266,610	(149,244)	-	-	117,366
Tax Losses Carried Forward	983,634	648,202	-	-	1,631,836
Deferred tax asset not recognised	(1,465,213)	(505,243)	(27,950)	-	(1,998,406)
	-	-	-	-	-

(e) Movements in deferred tax liabilities

Year ended June 2022	Charged/credited to				30 June 2022
	1 July 2021	Profit or Loss	Directly to equity	Acquisition of subsidiary	
Intangibles	-	-	-	305,013	305,013
Offset against deferred tax asset	-	-	-	(305,013)	(305,013)
	-	-	-	-	-

(e) Franking credits

The Group does not hold franking credits as at 30 June 2022 or 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

6. EARNINGS/(LOSS) PER SHARE

	Consolidated	
	2022	2021
	Cents per Share	Cents per Share
(a) Basic and diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the company	(1.99)	(0.62)
Total basic loss per share attributable to the ordinary equity holders of the company	(1.99)	(0.62)
(b) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	(12,075,161)	(3,021,747)
(c) Weighted average number of shares		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	607,647,409	484,148,628

As at 30 June 2022, there are no (2021: 15,854,256) options outstanding. 15,854,256 options expired on 2 October 2021.

7. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2022	2021
	\$	\$
Audit and review of the financial reports	249,500	223,643
Taxation compliance services	187,213	68,540
Total remuneration of BDO	436,713	292,183

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	6,213,860	5,176,463
Reconciliation of cash		
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to cash at the end of the financial year as follows:		
Cash at bank and on hand	6,213,860	5,176,463
Bank overdrafts	-	-
	6,213,860	5,176,463

NOTES TO THE FINANCIAL STATEMENTS

9. CASH FLOW INFORMATION

	Consolidated	
	2022	2021
	\$	\$
(a) Reconciliation of profit/(loss) after income tax to net cash used in operating activities		
Net loss for the year	(12,075,161)	(3,021,747)
Non-cash flows in profit/(loss):		
Expenses		
Depreciation and amortisation expense	751,465	290,051
Right of use asset depreciation	361,598	263,750
Share based payment expense	3,173,353	72,288
Other non-cash	153,565	78,611
<i>Changes in assets and liabilities net of the effects of acquisitions of subsidiaries</i>		
(Increase)/decrease in trade and other receivables	(634,194)	(256,786)
(Increase)/decrease in contract assets	(213,502)	209,999
(Increase)/decrease in inventory	9,604	561,514
(Increase)/decrease other assets	(978,015)	(1,156,167)
Increase/(decrease) in trade and other payables	1,462,843	(419,611)
Increase/(decrease) in provisions	101,180	(30,878)
Net cash used in operating activities	(7,887,262)	(3,408,976)

(b) Reconciliation of cash and non-cash movements in borrowings from financing activities

Year ended 30 June 2022	Opening Balance	Cash flows	Non-cash Changes	Closing Balance
Borrowings and Lease liabilities (i)	1,305,068	721,458	296,102	2,322,628
	1,305,068	559,540	458,020	2,322,628
Year ended 30 June 2021	Opening Balance	Cash flows	Non-cash Changes	Closing Balance
Borrowings and Lease liabilities	1,744,883	(667,149)	227,384	1,305,068
	1,744,883	(667,149)	227,384	1,305,068

Financing activities above includes:

- (i) Includes cash payments of lease liabilities of \$398,542 and net borrowings of \$1,120,000.

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES

CURRENT

Trade Receivables
Allowance for expected credit losses

Note	Consolidated	
	2022	2021
	\$	\$
	2,041,683	1,000,489
	(98,345)	(21,747)
	1,943,338	978,742

The Group wrote off the fully-provided for gross balance of Other receivables of \$7,206,918 at 30 June 2021 as the balance is no longer expected to be recovered. There was no impact to the profit and loss to 30 June 2022 or 30 June 2021.

(a) Deferred payment owing on sale of subsidiaries - PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP); and a sale of tenements B34 and Papua

	Consolidated	
	2022	2021
	\$	\$
Opening balance	-	7,982,767
Foreign exchange (loss) gain	-	(775,849)
Total	-	7,206,918
Write-off	-	(7,206,918)
Closing balance	-	-

11. CONTRACT ASSETS

Contract Assets

Customer Contracts – In Progress
Allowance for expected credit loss

	Consolidated	
	2022	2021
	\$	\$
	561,671	348,170
	-	-
	561,671	348,170

12. OTHER ASSETS

Other Assets

R&D Incentive Receivable
GST Receivable
Short Term Deposits

	Consolidated	
	2022	2021
	\$	\$
	2,197,607	1,170,641
	135,533	106,437
	107,301	-
	2,440,441	1,277,078

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORY

	Consolidated	
	2022	2021
	\$	\$
Inventory		
Hardware – at cost	174,873	160,584
Raw Materials – at cost	56,917	337,642
Provision for inventory	-	(256,832)
	231,790	241,394

The amount of inventories recognised as an expense during the year ended 30 June 2022 was \$3,512,830 (2021: \$304,682).

14. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles \$	Furniture & Equipment \$	Computer Equipment \$	Total \$
30 June 2022				
Opening net book value at 1 July 2021	44,074	10,419	336,327	390,820
Additions – business combinations	-	-	5,000	5,000
Additions	-	-	253,996	253,996
Depreciation and amortization	(14,499)	(2,118)	(198,533)	(215,150)
Balance at 30 June 2022	29,575	8,301	396,790	434,666
At 30 June 2022				
Cost	67,547	46,690	1,095,255	1,170,709
Accumulated depreciation	(37,972)	(38,389)	(698,465)	(736,043)
Net book balance	29,575	8,301	396,790	434,666
30 June 2021				
Opening net book value at 1 Jul 2020	18,498	11,368	323,045	352,911
Additions/disposals	29,668	982	221,904	252,554
Other movements	9,772	-	(17,699)	(7,927)
Depreciation and amortisation	(13,864)	(1,931)	(190,923)	(206,718)
Balance at 30 June 2021	44,074	10,419	336,327	390,820
At 30 June 2021				
Cost	67,547	46,690	830,550	944,787
Accumulated depreciation	(23,473)	(36,271)	(494,223)	(553,967)
Net book balance	44,074	10,419	336,327	390,820

NOTES TO THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS

	Patents & other acquired intangible assets \$	Goodwill \$	Total \$
30 June 2022			
Opening net book value at 1 Jul 2021	916,667	383,399	1,300,066
Additions – business combinations	2,269,000	5,248,617	7,517,617
Impairment	-	-	-
Depreciation and amortisation	(536,315)	-	(536,315)
Balance at 30 June 2022	2,649,352	5,632,016	8,281,368
At 30 June 2022			
Cost	3,269,000	5,632,016	8,901,016
Accumulated amortisation	(619,648)	-	(619,648)
Net book balance	2,649,352	5,632,016	8,281,368

	Patents & other acquired intangible assets \$	Goodwill \$	Total \$
30 June 2021			
Opening net book value at 1 Jul 2020	-	-	-
Additions – business combination	1,000,000	383,399	1,383,399
Impairment	-	-	-
Depreciation and amortisation	(83,333)	-	(83,333)
Balance at 30 June 2021	916,667	383,399	1,300,066
At 30 June 2021			
Cost	1,000,000	383,399	1,383,399
Accumulated amortisation	(83,333)	-	(83,333)
Net book balance	916,667	383,399	1,300,066

Impairment test for goodwill

Goodwill is monitored by management at the lowest cash-generating unit level, being that of Snap Network Surveillance Pty Ltd (i.e. SenTrack), and the Scancam group acquisition (Scancam). The goodwill and other intangibles are therefore entirely allocated to these cash-generating units as shown below:

	2022		2021	
	Patents & other acquired intangible assets \$	Goodwill \$	Patents & other acquired intangible assets \$	Goodwill \$
SenTrack	773,810	383,399	916,667	383,399
Scancam	1,875,542	5,248,617	-	-
	2,649,352	5,632,016	916,667	383,399

The Group tests whether the goodwill has suffered any impairment on an annual basis. For the 2022 reporting period, the recoverable amount of the cash-generating units (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and projections approved by management covering a five-year period.

NOTES TO THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS (CONTINUED)

Significant assumptions used for the purposes of assessing each CGU for impairment include:

	SenTrack	Scancam
Average revenue growth rate FY23-FY27	23.00%	17.00%
Fixed cost growth rate	5.00%	5.00%
Post-tax discount rate	17.00%	17.00%
Terminal value growth	2.50%	2.50%

Cash flows beyond the five-year period are extrapolated using the estimated long term growth rate attached to consumer price indexation (CPI), estimated at 2.5% as at 30 June 2022. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The value-in-use calculations are discounted to their net present value using a post-tax discount rate, reflecting specific risks relating to the relevant CGU's and the countries in which the cash-generating unit operates. As at 30 June 2022, the Group has applied a post-tax discount rate of 17.00%.

Revenue forecasts are based on historical amounts, adjusted for known and anticipated factors such as new contracts won and those reasonably assured of converting. Costs based on the CGU's incurrence of these items, factoring in forecast increases and estimated inflation rates over the forecast period. Capital expenditure is estimated based on current costs adjusted for anticipated future expectations.

Based on the above assumptions, the recoverable amount of the SenTrack CGU exceeds the carrying amount by \$39,530.

Based on the above assumptions, the recoverable amount of the Scancam CGU exceeds the carrying amount by \$184,978.

As disclosed in note 1 (aa), the Directors have made judgements and estimates in respect to impairment testing. Should these judgements and estimates not occur the resulting CGU carrying amount may decrease.

Impact of possible changes in key assumptions

Based on the assumptions above the value-in-use calculations for both the SenTrack and Scancam CGU's show headroom in excess of the carrying value of the CGU.

The table below summarises movements in the key assumptions and the impact on the impairment assessment::

	Movement in assumption	SenTrack – Impairment impact	Scancam – Impairment impact
Average revenue growth rate FY23-FY27	Decrease by 5%	\$560,785	\$391,509
Fixed cost growth rate	Decrease by 1%	\$nil	\$nil
Post-tax discount rate	Increase by 1%	\$303,625	\$62,698
Terminal value growth	Decrease by 0.5%	\$nil	\$nil

NOTES TO THE FINANCIAL STATEMENTS

16. LEASES

	Consolidated	
	2022	2021
	\$	\$
<i>Amounts recognised in the consolidated statement of financial position:</i>		
Right-of-use assets		
Buildings	325,101	382,405
Vehicles	10,679	26,697
	335,780	409,102
Lease liabilities		
Current	185,428	305,659
Non-current	182,826	138,129
	368,254	443,788

Additions to the right-of-use assets during the 2022 financial year were \$288,276 (2021: \$284,736).

Amounts recognised the consolidated statement of profit or loss and other comprehensive income:

Depreciation charge – right-of-use assets	361,598	263,773
Interest expense – lease liabilities	34,732	26,650
	396,330	290,423

The total cash outflow for leases in 2022 was \$473,533 (2021: \$252,848).

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2022	2021
	\$	\$
Current		
Trade payables	1,238,557	750,357
Accruals and other payables	1,449,175	937,057
	2,687,732	1,687,414

18. EMPLOYEE BENEFITS

	Consolidated	
	2022	2021
	\$	\$
Current		
Employee benefits	652,314	263,687
	652,314	263,687
Non-Current		
Employee benefits	18,577	105,983
	18,577	105,983

NOTES TO THE FINANCIAL STATEMENTS

19. CONTINGENT CONSIDERATION

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

Recognised fair value measurements

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices);
- Level 3: a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

The following financial instruments are subject to recurring fair value measurements:

	Note	Consolidated	
		30 Jun 2022	30 Jun 2021
		\$	\$
Contingent consideration – level 3		1,362,565	-
		1,362,565	-

Contingent consideration has been recognised on the acquisition of Scancam Industries Pty Ltd as disclosed in note 15. The fair value of the contingent consideration of \$1,362,565 has been estimated by calculating the present value of the future expected cash outflows discounted. If Scancam Industries Pty Ltd exceeds its forecasted annual recurring revenue targets, this would result in a material change to the contingent consideration, up to a value of \$4,163,380.

Reconciliation of level 3 movements

The following table sets out the movements in level 3 fair values for contingent consideration payable:

	Note	Consolidated	
		30 Jun 2022	30 Jun 2021
		\$	\$
Opening balance 1 July		-	-
Recognised on business combination		1,209,000	-
Payments of contingent consideration		-	-
Fair value adjustments		153,565	-
		1,362,565	-

Valuation processes for level 3 fair values

Valuations are performed every six months to ensure that they are current for the half-year and annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS

20. CONTRACT LIABILITIES

	Consolidated	
	2022	2021
	\$	\$
Current		
Contract liabilities*	1,156,667	521,874
	1,156,667	521,874

* \$987,105 has been recognised as revenue in the 2022 financial year and \$1,621,898 were in additions during the 2022 financial year.

21. BORROWINGS

	Consolidated	
	2022	2021
	\$	\$
(a) Bank Loans	450,000	450,000
(b) Other Loans	1,504,375	411,280
Total Current Borrowings	1,954,375	861,280

a) Bank loan

Includes a bank debt with Commonwealth Bank for \$450,000 secured by an account set-off arrangement with a matching term deposit and a first ranking charge over present and after acquired property. Variable rate interest of 4.57% is charged. The loan was renewed in December 2020. The loan is secured by a letter of set-off between the Group and Commonwealth Bank over a Term Deposit.

b) Other loan

A short-term working capital loan of \$380,000 was agreed with Rocking Horse Nominees Pty Ltd ('Rocking Horse') in December 2020. This loan, together with accrued interest of \$31,280 was owing at 30 June 2021.

The Company took a further loan from Rocking Horse of \$800,000 in August 2021, increasing the principal to \$1,180,000. Interest of \$55,647 accrued on this second loan.

Both of the above loans and interest totalling \$1,266,927 were repaid in full on 22 November 2021 through a Research and Development grant via the Company's tax return for 30 June 2021.

A new loan of \$1,500,000 was taken with Rocking Horse on 24 June 2022 in advance of the Company receiving a refund through a Research and Development grant via the Company's tax return for 30 June 2022. Fixed rate interest of 15% is charged, interest of \$4,375 has accrued on this loan to 30 June 2022. The loan is secured over the Company's net assets.

c) Undrawn facilities

The company has an undrawn loan facility of \$1,000,000 with Adapt Capital Pty Ltd. This loan incurs a variable interest rate based on the NAB overdraft fee plus 0.5% per annum. The loan has a maturity date of 30 days after the last drawdown date.

The company has an undrawn loan facility of \$500,000 with Subhash Challa. The loan incurs an interest rate of 4.95% per annum. The loan has no fixed maturity date.

NOTES TO THE FINANCIAL STATEMENTS

22. ISSUED CAPITAL

	Note	Consolidated	
		2022	2021
		\$	\$
Ordinary shares	(a)	57,856,852	41,649,827

(a) Share capital movement during the period

	Consolidated			
	2022		2021	
	No.	\$	No.	\$
Balance at beginning of the reporting period	518,158,232	41,649,827	447,236,086	33,159,693
Shares issued during the year (i)	123,389,811	15,203,635	70,922,146	8,597,634
Share Issue Costs (ii)	-	(264,057)	-	(107,500)
Shares issued under long term incentive plan (iii)	9,594,718	1,267,447		
Balance at end of period	651,142,761	57,856,852	518,158,232	41,649,827

(i) The Group completed the following share issue allocations in each respective period:

2022 financial year

(i) SenSen issued the following shares in the 12 months ended 30 June 2022:

- Scancam acquisition share issue
On 20 July 2021, SenSen Networks Limited successfully completed the acquisition of Scancam Industries Pty Ltd. 39,285,715 shares were issued on this date as part of the consideration paid based on the published share price on 20 July 2021 of \$0.13 per share.
- Share placements
 - On 9 November 2021, the Group completed a placement of 30,000,000 shares at \$0.12 per share to institutional and sophisticated investors. The share price on the date of issue was \$0.12.
 - On 21 December 2021, the Group completed a placement of 5,000,000 shares to Subhash Challa (Chairman and CEO) and David Smith (Executive Director and COO) at \$0.12 per share. The share price on the date of issue was \$0.12 per share.
 - On 23 December 2021, the Group completed a placement of 25,000,000 shares at \$0.12 per share. The share price on the date of issue was \$0.12 per share.
- Share purchase plan
On 20 December 2021, the Group raised \$2,796,500 via a share purchase plan in which 23,304,096 shares were issued at \$0.12 per share. The share price on the date of issue was \$0.12 per share.
- Contractor / Employee
800,000 shares on 25 May 2022 for services provided by a third-party consultant. The equity movement has been accounted for at the fair value of the services received, in accordance with AASB 2 Share-based Payment.

(ii) Share issue costs include payments to external parties in relation to the total value of share capital raised.

(iii) Employee Long Term Incentive Plan

On 24 December 2021, 9,594,718 shares were issued in relation to the Group's long term incentive plan. Refer Note 30 for further details.

NOTES TO THE FINANCIAL STATEMENTS

22. ISSUED CAPITAL (CONTINUED)

2021 financial year

SenSen issued the following shares in the financial year ended 30 June 2021:

- Employee Incentive Plan
 - 3,371,052 shares on 23 July 2020. The expense in relation to this share issue was expensed as part of the share based payments in the 2020 financial year.
- Snap Surveillance
 - 9,881,423 shares on 1 December 2020 as part of the consideration, based on the published share price on 1 December 2020 of \$0.14 per share. There are 4,940,712 shares still under escrow at 30 June 2021.
- External Advisors
 - 263,158 shares on 1 December 2020 at \$0.095 per share. The share price on transaction date was \$0.14 per share. The difference between the value of the equity granted and the share price is accounted for as expense in the consolidated statement of profit or loss and other comprehensive income.
 - 101,250 shares on 21 December 2020 at \$0.095 per share. The share price on transaction date was \$0.125 per share. The difference between the value of the equity granted and the share price is accounted for as expense in the consolidated statement of profit or loss and other comprehensive income.
- Contractor / Employee
 - 105,263 shares on 1 December 2020 at \$0.095 per share. The share price on transaction date was \$0.14. The difference between the value of the equity granted and the share price is accounted for as expense in the consolidated statement of profit or loss and other comprehensive income.
- Private Placement:
 - 57,200,000 shares in January 2021, as part of an \$7,150,000 placement to private and institutional investors, equal to approximately 11% of the total post-placement issued shares of SenSen. The placement was conducted at \$0.125 cents per share, a discount of 9.29% to the 30-day Volume Weighted Average Price (VWAP) of SenSen shares.

(d) Capital Management

Management controls the capital of the group in order to provide capital growth to shareholders and ensure the group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market. There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

NOTES TO THE FINANCIAL STATEMENTS

23. RESERVES

	Consolidated	
	2022	2021
	\$	\$
(a) Other Reserves		
Share-based payment reserve	5,575,665	3,669,759
Foreign currency translation reserve	(98,525)	(72,424)
	5,477,140	3,597,335
(b) Movements		
<i>Foreign exchange translation reserve</i>		
Balance at beginning of financial year	(72,424)	(115,751)
Currency translation differences arising during the year	(26,101)	43,327
Balance at end of financial year	(98,525)	(72,424)
<i>Share-based payment reserve</i>		
Balance at beginning of financial year	3,669,759	3,597,471
Share-based payment expense	3,173,353	72,288
Transfer from reserves	(1,267,447)	-
Balance at end of financial year	5,575,665	3,669,759
(c) Nature and purpose of reserves		
(i) Share-based payment reserve		
The share-based payment reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration.		
(ii) Foreign exchange translation reserve		
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.		

24. CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets at 30 June 2022 (30 June 2021: Nil).

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

25. BUSINESS COMBINATIONS

On 26 May 2021, SenSen Networks Limited announced the acquisition of Scancam Industries Pty Ltd, acquiring 100% of the issued share capital. On 15 July 2021, SenSen Networks Limited held its General Meeting, approving the quotation of 39,285,715 shares to be issued as part of this business combination transaction. Following this, on 20 July 2021 SenSen Networks Limited successfully completed the acquisition of Scancam Industries Pty Ltd, acquiring 100% of the share capital of Scancam Industries Pty Ltd, a software company. The acquisition has significantly increased the group's market share in this industry and complements the group's existing software division.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$
Purchase consideration, consisting of:	
Initial cash payment	1,000,000
Net working capital adjustment	197,000
Non-cash consideration shares	5,107,143
Contingent consideration	1,209,000
Total purchase consideration	7,513,143

The fair value of the 39,285,715 shares issued as part of the consideration paid for Scancam Industries Pty Ltd was based on the published share price on 20 July 2021 of \$0.13 per share.

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash and cash equivalents	117,000
Trade debtors	407,000
Property, plant and equipment	5,000
Other assets	56,000
Tax receivable	167,000
Trade creditors	(386,000)
Other liabilities	(32,000)
Net identifiable assets acquired	334,000
<i>Add: acquired intangible assets</i>	
Brand name	223,000
Technology	920,000
Customer contracts and relationships	1,126,000
Goodwill	5,248,699
Deferred tax liability	(338,556)
Net assets acquired	7,513,143

The main factor represented in the Goodwill is the synergies from combining operations of SenSen Networks Limited and Scancam Industries Pty Ltd. This Goodwill balance is not expected to be deductible for tax purposes.

Acquisition costs expensed in the consolidated statement of profit or loss and other comprehensive income as part of the business combination amount to \$91,424. At acquisition date the Group estimates all balances of trade debtors acquired to be collected.

Outflow of cash to acquire subsidiary, net of cash acquired was \$1,080,000, being \$1,000,000 cash consideration, \$197,000 for working capital less \$117,000 of cash acquired.

Deferred and contingent consideration

Payable in either cash or ordinary shares in SenSen (in the absolute discretion of the SenSen Board), up to a maximum of AUD \$4,163,380 over two payments, should the audited Business Annual Recurring Revenue (ARR) of the Scancam business reach AUD \$3,000,000. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between \$0 and \$4,163,380.

Post-acquisition results

Following Scancam's acquisition by SenSen Networks Limited, the business has contributed \$2,440,587 in revenue to the SenSen Group and a gross profit contribution of \$1,262,801 to the SenSen Group.

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY TRANSACTIONS

(a) Shareholder Loan

There were no related party transactions during the period other than those shares issued via the LTI plan noted in Note 22, Issued Capital.

27. EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events from 1 July 2022 to the date of signing this document.

28. INTEREST IN SUBSIDIARIES

The following are subsidiaries of the group, are controlled entities and have been consolidated at 30 June 2022.

(a) Controlled entities consolidated

Name of subsidiary	Country of incorporation	Equity interest*	
		2022	2021
SenSen Networks Group Pty Ltd	Australia	100%	100%
SenSen Networks Operations Pty Ltd	Australia	100%	100%
SenSen Networks Gaming Pty Ltd	Australia	100%	100%
SenSen Networks (Hong Kong) Limited	Hong Kong	100%	100%
PT Orpheus Energy	Indonesia	100%	100%
SenSen Networks Singapore Pte Limited	Singapore	100%	100%
SenSen Video Business Intelligence PVT Ltd	India	100%	100%
SenSen Networks, Inc.	United States	100%	100%
SenSen Networks Canada Ltd*	Canada	100%	100%
Scancam Industries Pty Ltd**	Australia	100%	100%
Scancam Leasing Pty Ltd***	Australia	100%	100%
Scancam Operations Pty Ltd****	Australia	100%	100%
Fuel Recovery Services Australia Pty Ltd*****	Australia	100%	100%

* SenSen Networks Canada Ltd was incorporated by SenSen Networks on 15 March 2021

**Scancam Industries Pty Ltd was acquired by SenSen Networks on 20 July 2021

***Scancam Leasing Pty Ltd was acquired by SenSen Networks on 20 July 2021

****Scancam Operations Pty Ltd was acquired by SenSen Networks on 20 July 2021

*****Fuel Recovery Services Australia Pty Ltd was acquired by SenSen Networks on 20 July 2021

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel compensation

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	1,141,113	1,021,206
Post-employment benefits	140,916	96,413
Share-based payments	1,280,268	50,000
	<u>2,562,297</u>	<u>1,167,619</u>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 22 to 30.

(b) Equity instrument disclosures relating to Key Management Personnel compensation

Details of Key Management Personnel option and share holdings are disclosed in the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS

30. SHARE BASED PAYMENTS

The following share rights were issued as part of compensation to key management personnel during the year ended 30 June 2022 and 30 June 2021. No options over ordinary shares were issued as part of compensation to employees during the year ended 30 June 2022 or 30 June 2021.

Share Rights

A new LTI scheme was approved by the Board of SenSen on 10 May 2021 and grants rights to shares to key employees of the Company over a three-year period, if certain targets are achieved. Shareholders voted at a general meeting of the Company on 15 July 2021 to approve 25,000,000 shares to be issued over three years for this scheme.

The number of shares to be issued will be calculated as follows:

- An agreed percentage of eligible employee's annual salary;
- Number of shares to be issued based on the 5 day Volume Weighted Average Price (VWAP) prior to the Company's Financial Year results announcement.
- A combination of an eligible employee's length of service and the Company meeting internal measure targets in the most recent Financial Year. Internal measure targets include:
 - Continual service period;
 - Revenue hurdles; and
 - EBITDA hurdles.

These hurdles are considered non-market vesting conditions and the probability of being met is taken into account when determining the expense to be recognised in each period.

The rights to shares were granted after 15 July 2021 (therefore with no impact in the 30 June 2021 financial year), and vest annually if the following three targets are achieved by SenSen employees:

Grants Financial Year	Grant dates ¹	Target measures		
		Service	Revenue Target	EBITDA
2020/2021	Various	50%	40%	10%
2021/2022	Various	50%	40%	10%
2022/2023	Various	50%	40%	10%

¹ For the different relevant employees

The actual number of shares to be issued to each employee is based on the above fixed percentages of their salary at grant date. A summary of the value expensed, and the number of shares issued is detailed below.

Share rights to these three grants vest annually once the Company issues its Annual Report on or around 30 September. This report will provide revenue and EBITDA results that will be used to determine whether individual tranches vest. The following tables outline the individual annual hurdles/targets required in order for annual share rights to be awarded and vest:

NOTES TO THE FINANCIAL STATEMENTS

30. SHARE BASED PAYMENTS (CONTINUED)

Annual Hurdles/Targets

Service Target

Service	Percentage of Rights Vesting
Less than 12 months	Nil
Threshold: 1 year – 3 years	75%
Target: 3 years +	100%

The service target is assessed each year at 30 June.

Revenue Target

- First vesting date Revenue 40% greater than FY2020 Revenue recorded in the 30 June 2021 Annual Report
- Second vesting date Revenue 25% greater than hurdle - revenue established at first vesting date (i.e. audited full year revenue for FY2022)
- Third vesting date Revenue 25% greater than hurdle Revenue established at second vesting date (i.e. audited full year revenue for FY2023)
- Continued service to vesting date

EBITDA Target

- First vesting date EBITDA 25% greater than FY2020 EBITDA recorded in the 30 June 2021 Annual Report
- Second vesting date EBITDA 25% greater than hurdle EBITDA established at first vesting date (i.e. audited full year EBITDA for FY2022)
- Third vesting date EBITDA 25% greater than hurdle EBITDA established at second vesting date (i.e. audited full year EBITDA for FY2023)
- Continued service to vesting date

These share rights are issued for nil consideration based on a five-day VWAP of the Company's share price prior to the lodgment of the Annual Report is lodged based on the relevant percentage of the employee salary.

For 2021 the Revenue and EBITDA targets were met and the EBITDA Stretch target was not met as shown below:

Target Measure	Target \$	Actual Result	Target met?
Revenue	\$5,268,936	\$5,532,537	Yes
EBITDA	(\$2,322,738)	(\$2,280,897)	Yes
EBITDA Stretch	(\$2,013,040)	(\$2,280,897)	No

For 2022 the Revenue and Revenue Stretch targets are expected to be met and the EBITDA target is not expected to be met as shown below:

Target Measure	Target \$	Actual Result	Target met?
Revenue	\$6,915,671	\$9,145,423	Yes
EBITDA	(\$1,710,673)	(\$10,500,744)	No
Revenue Stretch	\$7,468,925	\$9,145,423	Yes

For 2023 the Revenue and EBITDA targets are expected to be met and the Revenue Stretch target is not expected to be met as shown below:

Target Measure	Target \$	Actual Result	Target met? ¹
Revenue	\$11,431,779	N/A	Yes
EBITDA	(\$7,875,558)	N/A	Yes
Revenue Stretch	\$12,346,321	N/A	No

¹ Represents current expectations for each target.

NOTES TO THE FINANCIAL STATEMENTS

30. SHARE BASED PAYMENTS (CONTINUED)

Year ³	Grant Date	Vest date	Service \$	Revenue \$	EBITDA \$	Revenue – Stretch \$	Discretionary Grant \$	Total \$	Shares issued ¹
			50%	40%	10%	20%	N/A		
2021	Various	On grant date	497,415	533,637	33,409	-	102,986	1,267,447	9,594,718
2022	Various	30 June 2022	654,162	584,087	-	116,817	9,405	1,364,471	N/A
2023 ²	Various	30 June 2023	220,382	254,996	66,057	-	-	41,435	N/A
Total			1,371,959	1,372,720	199,466	116,817	112,391	3,173,353	

¹ Final number of shares to be issued will be determined based on a five-day VWAP of the Company's share price prior to the lodgment of the Annual Report.

² This amount represents the proportionate expense related to the 2022 year. The remaining amounts will be expensed in 2023 dependent on the targets being met.

³ Being the year for which employees criteria for which performance criteria for vesting are assessed.

a) Long Term Incentive ("LTI") Options

The company issued both LTI Incentive Options, General Options and LTI Performance Options during the year ended 30 June 2018. There were no further issues during the year ended 30 June 2022 or 30 June 2021.

LTI Incentive Options and General Options

On 30 November 2017, the Company granted 11,100,000 LTI Incentive Options to Subhash Challa (Executive Chairman and CEO) and David Smith (COO) and 4,500,000 General Options to its broker, BW Equities. These options vested immediately and have an exercise period of 3 years. These options were granted in 3 equal lots with exercise prices of 25 cents, 35 cents and 45 cents.

Share options outstanding at the end of the year follows:

2021

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other (ii)	Balance at the end of the year
30/11/2017	04/12/2020	\$0.25	5,200,000	-	-	(5,200,000)	-
30/11/2017	04/12/2020	\$0.35	5,200,000	-	-	(5,200,000)	-
30/11/2017	04/12/2020	\$0.45	5,200,000	-	-	(5,200,000)	-
20/03/2018	30/09/2021	\$0.155 (i)	15,854,256	-	-	-	15,854,256
			31,454,256	-	-	(15,600,000)	15,854,256

2022

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other (ii)	Balance at the end of the year
20/03/2018	30/09/2021	\$0.155 (i)	15,854,256	-	-	(15,854,256)	-
			15,854,256	-	-	(15,854,256)	-

(i) Exercise price is based on estimated 5-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018.

(ii) Option expired during the financial year.

There were no LTI options granted during the year ended 30 June 2022 and 30 June 2021. There were 15,854,256 options that expired during the year-ended 30 June 2022 (2021: 15,600,000).

NOTES TO THE FINANCIAL STATEMENTS

31. PARENT ENTITY INFORMATION

Parent entity information required to be disclosed in accordance with the *Corporations Act 2001*. The legal parent entity of the group is SenSen Networks Limited, and the results shown below are for the 12 months ended 30 June 2022 and 2021:

(a) Summary financial information

	Parent entity	
	2022	2021
	\$	\$
Statement of profit or loss and other comprehensive income		
Loss for the year	(118)	(180)
Other comprehensive income	-	-
Total comprehensive loss for the year	(118)	(180)
Statement of financial position of the parent entity at year end		
Current assets	3,774	3,892
Non-current assets	-	-
Total assets	3,774	3,892
Current liabilities	-	-
Non-current liabilities	939,248	939,248
Total liabilities	939,248	939,248
Net assets	(935,474)	(935,356)
Issued capital	40,322,041	40,322,041
Accumulated losses	(41,257,515)	(41,257,397)
Total equity	(935,474)	(935,356)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees at the 30 June 2022 and 30 June 2021.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 and 30 June 2021.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at the 30 June 2022, the parent entity has made no contractual commitments for the acquisition of plant or equipment.

(e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for the investments in subsidiaries which are accounted for at cost in the financial statements of SenSen Networks Limited.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	Consolidated	
	2022	2021
	\$	\$
Financial assets		
Cash and cash equivalents	6,213,860	5,176,463
Trade and other receivables	1,943,338	978,742
Contract assets	561,671	348,170
	8,718,869	6,503,375
Financial liabilities		
Trade payables	1,238,557	750,357
Short term loans	1,954,375	861,280
	3,192,932	1,611,637

The Company monitors its exposure to key financial risks, principally market risk (including currency risk), interest risk, credit risk and liquidity risk, with the objective of achieving the company's financial targets whilst protecting future financial security.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting. Credit risks are managed by credit limits and retention of the title over the investments sold.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of interest rate exposure, credit allowances, and future cash flow forecast projections.

(a) Market Risk

Foreign exchange risk

Exchange Risk arises whereby currency exchange rates may affect the assets and liabilities and the consolidation of companies within the group.

The company reports in Australian Dollars; the operating currency for Indian subsidiary is the Indian Rupee, the operating currency for the US subsidiary is US Dollars, the operating currency for the Singapore subsidiary is Singapore Dollars, and the operating currency for the Canadian subsidiary is Canadian Dollars.

(b) Interest Risk

The company has a business loan facility of \$450,000 and an undrawn overdraft facility of \$225,000 with the Commonwealth Bank of Australia. Interest is charged at a variable rate of 4.57% on the business loan.

The company maintains a working capital facility with Rockinghorse Group of \$1,504,375 which is repaid annually upon receipt of the company's R&D grant. This loan incurs interest at a rate of 15.0% p.a.

Group sensitivity

At 30 June 2022 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the result would not be material at \$9,771. (2021: \$4,306)

Based on movements in interest rates the company regularly reviews the deployment of funds and the exposure to interest rate risk in conjunction with currency and exchange rate risk in order to manage these risks in line with corporate objectives.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 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. A general security deed is held by Rocking Horse Nominees Pty Ltd at 30 June 2022 and Credit risk is reviewed regularly by the Board.

The Group does not have any other material credit risk exposure to any single counterparty, except for its holdings of cash which is held with the Commonwealth Bank, National Australia Bank and Bank of America.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Approach to determining expected credit losses

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to the Group's right to consideration for performance complete to date before payment is due and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical payment profiles. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables including consideration of the uncertain economic environment arising from the COVID-19 pandemic.

For the year ended 30 June 2022, the Group has considered whether the expected loss rates are required to be increased due to the uncertain economic environment arising from the COVID-19 pandemic.

The Group has identified the GDP, country specific unemployment rates and the outlook for customer industries as the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. The Group has assessed that there is no material credit loss exposure on trade receivables and contract assets.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Trade and other receivables

The Group limits its exposure to credit risk by only limiting transactions with high credit quality financial institutions principally government bodies and large listed corporate firms.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(d) Liquidity Risk

The table below reflects all contractually fixed payoffs and receivables for settlement from recognised financial assets and liabilities, as of 30 June 2022. The amounts disclosed are undiscounted cash flows anticipated to eventuate in the next fiscal year.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2022.

	Total	< 6 Mths	6-12 Mths	1-5 Yrs
	\$	\$	\$	\$
2021				
Financial assets				
Cash and cash deposits	5,176,463	5,176,463	-	-
Trade and other receivables	978,742	978,742	-	-
Contract assets	348,170	348,170	-	-
	6,503,375	6,503,375	-	-
Financial liabilities				
Trade and other payables	750,357	750,357	-	-
Short term loans	861,280	861,280	-	-
Lease liabilities	443,788	160,576	148,970	134,242
	2,055,425	1,772,213	148,970	134,242
Net maturity	4,447,950	4,731,162	(148,970)	(134,242)

	Total	< 6 Mths	6-12 Mths	1-5 Yrs
	\$	\$	\$	\$
2022				
Financial assets				
Cash and cash deposits	6,213,860	6,213,860	-	-
Trade and other receivables	1,943,338	1,943,338	-	-
Contract assets	561,671	561,671	-	-
	8,718,869	8,718,869	-	-
Financial liabilities				
Trade and other payables	1,238,557	1,238,557	-	-
Short term loans	1,504,375	1,504,375	-	-
Lease liabilities	368,254	128,141	57,287	182,826
	3,111,186	2,871,073	57,287	182,826
Net maturity	5,607,685	5,847,796	(57,287)	(182,826)

The contractual maturities of the company's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values in the table reflects a balanced view of cash inflows and outflows.

DIRECTORS' DECLARATION

Directors' Declaration

In accordance with a resolution of the Directors of SenSen Networks Limited, the Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 33 to 75.
 - (a) comply with Australian Accounting Standards and interpretations, and *Corporations Act 2001* and *Corporations Regulations 2001*, which confirms compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; and
 - (b) give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
2. in the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Subhash Challa
Chairman
Dated: 30 Sep 2022

INDEPENDENT AUDITOR'S REPORT

To the members of SenSen Networks Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SenSen Networks Limited (the Company) and its subsidiaries (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 report, including a summary of significant accounting policies 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 ended on that date; 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 *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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

For personal use only

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Key audit matter	How the matter was addressed in our audit
<p>The Group's revenue recognition disclosures are included in Note 1 (c), detailing the accounting policies applied under AASB 15 <i>Revenue from Contracts with Customers</i>.</p> <p>The assessment of revenue recognition was significant to our audit due to revenue being a material balance in the financial statements for the year ended 30 June 2022, and there being a level of complexity to the contracts regarding performance obligations, and revenue being recognised either over time or at a point in time.</p> <p>The recognition of revenue largely depends on the terms of the underlying contracts with customers. Contracts can be complex and bespoke. In particular, significant judgement and estimation are required by the Group in determining the amount of revenue recognised for licences and other multiple obligation customer contracts, and the timing of when this revenue is recognised.</p> <p>The assessment of revenue recognition and measurement required significant auditor effort.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Assessing the Group's revenue recognition policy for compliance with Australian Accounting Standards Developing an understanding of the various revenue streams and the Group's revenue recognition policies for each stream through discussions with management Reviewing a sample of key customer contracts for each revenue stream with multiple obligations to determine whether revenue was recognised in accordance with the Group's accounting policies and the requirements of the Australian Accounting Standards Testing a sample of revenue transactions and reviewing the terms and conditions of the executed contracts and other supporting evidence to ensure that the accounting treatment had been correctly applied, including evaluating whether performance obligations had been met and revenue had been recognised in the correct period Performing a detailed analysis of revenue and the timing of its recognition based on expectations derived from our knowledge of the Group's products and the markets it operates in.

For personal use only

Business combination accounting including determination of goodwill

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year, the group acquired the Scancam Industries Pty Ltd ('Scancam').</p> <p>As disclosed in Note 25, as part of these business combination transactions, the Group recognised the following additional intangible assets:</p> <ul style="list-style-type: none"> • Brand name • Technology • Customer contracts and relationships • Goodwill <p>Business combinations is a key audit matter due to the significant audit effort to test the group's acquisitions during the year and the level of judgement applied in evaluating management's assessment of goodwill allocated in the purchase.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or asset acquisitions • Reviewing purchase documentation including contracts and business sale agreements and obtaining a detailed understanding of the acquired business • Assessing the appropriateness of the valuation methodology of the assets acquired • Reviewing management's assessment of the fair value of the consideration paid and the recognition of contingent consideration upon the acquisition date • Evaluating management's assessment of the identifiable assets and liabilities acquired including reviewing independent intangible asset valuation for the acquisition obtained by management • Engaging with internal experts on the appropriateness of the calculation of identifiable intangible assets • Assessing the adequacy of the Group's disclosures of the acquisitions.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

Impairment assessment of Goodwill and Other Intangible Assets and determination of Cash Generating Units (“CGU’s”)

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group’s disclosures in respect to intangible assets, including the impairment assessments of goodwill and other intangible assets are included in Note 15.</p> <p>The carrying value of intangible assets represent a significant asset of the Group.</p> <p>The Group is required to annually test the amount of goodwill and indefinite useful life intangible assets for impairment and assess other intangible assets for impairment indicators.</p> <p>This annual impairment test was significant to our audit because the goodwill and intangible assets balance is material to the financial statements and because management’s assessment process, including the determination of CGU’s, is complex, highly judgmental and includes estimates and assumptions relating to expected future market or economic conditions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Evaluating management’s determination of the Group’s Cash Generating Units (“CGU’s”) to ensure they are appropriate, including being at a level no higher than the operating segments of the entity • Evaluating management’s process regarding the valuation of the Group’s goodwill and other intangible assets • Assessing the Group’s assumptions and estimates relating to forecast revenue, costs, capital expenditure and discount rates used to determine the recoverable amount of its assets • Assessing the historical accuracy of forecasting of the Group by comparing the current year actual results with FY22 figures included in prior year forecasts to consider whether any forecasts included assumptions, that with hindsight, had been optimistic • Involving our internal specialists to assess the discount rates and terminal growth rates against comparable market information • Challenging key assumptions by performing sensitivity analysis on the growth rates and discount rate assumptions used.

Other information

The directors are responsible for the other information. The other information comprises the information 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 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.

For personal use only

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 the financial report 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 auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 29 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of SenSen Networks 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.

BDO Audit Pty Ltd



T R Mann
Director

Brisbane, 30 September 2022

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

ASX Additional Information (Unaudited)

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 27 September 2022.

(a) Distribution of equity securities

There are 651,142,760 fully paid ordinary shares held by 2,310 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The numbers of shareholders, by size of holding, in each class are:

Holdings Ranges	Holders	Total Units	%
1-1,000	151	64,137	0.01
1,001-5,000	548	1,661,508	0.26
5,001-10,000	310	2,479,518	0.38
10,001-100,000	804	32,189,731	4.94
100,001 over	497	614,747,866	94.41
Totals	2,310	651,142,760	100
Holding less than a marketable parcel	805	2,369,682	

(b) Substantial shareholders

Name	Number	Percentage
EQUITY PLAN SERVICES PTY LTD	141,861,833	21.8%
MR SUBHASH CHALLA	86,148,062	13.2%
ZENON PASIECZNY/SAPHET CAPITAL MANAGEMENT PTY LTD	47,126,259	7.2%
MIZIKOVSKY GROUP	42,742,093	6.6%
VGI PARTNERS ASIAN INVESTMENTS LIMITED (VG8)	4,519,175	5.3%

ASX Additional Information (Unaudited)

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully Paid	
	Number	Percentage
1. EQUITY PLAN SERVICES PTY LTD	141,861,833	21.79
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	34,519,175	5.30
3. ADAPTALIFT INVESTMENTS PTY LTD	32,332,599	4.97
4. RAINROSE PTY LTD	30,644,643	4.71
5. MR SUBHASH CHALLA	28,778,002	4.42
6. SAPHET CAPITAL MANAGEMENT PTY LTD	22,262,395	3.42
7. CITICORP NOMINEES PTY LIMITED	21,516,976	3.30
8. AA & J SCHMIDT HOLDINGS PTY LTD	10,650,987	1.64
9. ME BYRNE INVESTMENTS PTY LTD	9,396,755	1.44
10. MR WILLIAM MORAN	9,232,976	1.42
11. BNP PARIBAS NOMINEES PTY LTD	9,113,021	1.40
12. MR SATISH GUPTA	6,874,701	1.06
13. SUNSTAR AUSTRALIA PTY LTD	5,899,959	0.91
14. MR SHARATHCHANDRA REDDY GUNUPATI	5,632,915	0.87
15. GASMERE PTY LTD	5,566,000	0.85
16. MR DAVID EDWARD SMITH	5,050,654	0.78
17. SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	4,860,449	0.75
18. MR VENKATESWARA PRASAD GUNUPATI	4,822,335	0.74
19. SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C>	4,688,470	0.72
20. MRS LAXMI CHALLA	4,033,409	0.62
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	397,738,254	61.08
Total Remaining Holders Balance	253,404,506	38.92

UNQUOTED SECURITIES

There are no unquoted securities at 30 June 2022.