knosys

Connecting People and Information

# 2023
# Annual Report

Financial Year Ending 30th June 2023

Knosys Limited ACN 604 777 862
(ASX:KNO)

knosys.co

# Contents

# Knosys' Mission

To **empower organisations** to **make smarter connections** with their information.

## Global Clients

ANZ
OPTUS
HERITAGE BANK & TRUST
Harvey Norman
Kathmandu
Panasonic
Tasmanian Government | Service Tasmania
Singtel
NFSA
THE GEORGE WASHINGTON UNIVERSITY WASHINGTON, DC
Brookline Bancorp, Inc.
Government of South Australia service sa
sbs BANK
UNIVERSITATS-BIBLIOTHEK CHEMNITZ
DUCK DONUTS WARM, DELICIOUS & MADE TO ORDER
Healthscope
Benson radiology
tropical SMOOTHIE CAFE
THE HONEY BAKED Ham Co
OFFICE of PUBLIC PROSECUTIONS VICTORIA
Best Practice An evolution in GP software

# Corporate Directory

## Board of Directors

Hon. Alan Stockdale AO
Non-Executive Chairman

John Thompson
CEO & Managing Director

Kathrin Mutinelli
Non-Executive Director

Neil Wilson
Non-Executive Director

## Auditor

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

## Registers of securities are held at the following address:

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

## Principal Place of Business and Registered Office

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

# Chairman's letter to shareholders

Dear Shareholders,

On behalf of the Board of Knosys Limited, I have pleasure in presenting to you the 2023 Annual Report.

We are pleased to report solid financial results in FY23, with total operating revenue up 12% year on year to $9.9 million, a positive result in an extremely challenging economic environment. Recurring revenues increased year on year by 16% due to several new contracts signed in the second half of the last financial year, a full year contribution from the Libero business, contract extensions of key enterprise customers, including ANZ Bank, Singtel and Optus, and through price increases across our solutions.

Throughout the second half of the financial year, we were adversely impacted by the economic uncertainty and lengthening in the time to contract sign-off. As a result, we restructured operations to reduce headcount and improve operating efficiencies. Our operating expenses increased by 9% to $12.1 million in FY23 but we expect costs to reduce in FY24 on a growing revenue base.

Our growth strategy was further refined late in FY23 in response to the new economic environment, to prioritise our investment into our areas of highest growth potential. This will lead to a more targeted product development and marketing approach for our leading Knowledge Management and Library Management solutions moving forward.

In FY23, we continued to fund our operations through operating cash flow and our net cash outflow for the year was up only slightly on the prior year. The Board continues to pursue a target of EBITDA breakeven and we expect to track towards this in FY24. Our cash balance and recurring revenue remain sufficient to execute on our revised growth strategy.

We remain confident in the outlook for the year ahead, driven by increased demand for our solutions and a strong pipeline of prospective new contracts despite the fact that the economic situation caused several prospective customers to defer orders from 2H FY23 into FY24. We are already seeing the benefits of the strategic pivot in late 2023, with strengthening of demand heading into FY24, particularly for our Knowledge Management and Library Management solutions.

On behalf of the Directors, I would like to thank our Managing Director, John Thompson, our senior management team and our staff generally for their hard work and dedication throughout the year.

Knosys Board members and management are very conscious that shareholders and potential investors face a very difficult Australian and world economic environment. Like most technology companies, our company has not been immune from stock market trends. Nonetheless, the company has experienced steady support from its shareholders. Accordingly, on behalf of our Board and management, I would like to thank our shareholders for their continuing support. Whilst conscious of the need to achieve stronger EBITDA, Knosys is now moving into the next phase of its growth strategy focused on the areas of greatest growth potential to drive sustainable earnings over the longer term.

**Hon. Alan Stockdale AO**
**CHAIRMAN**

**28 August 2023**

# Knosys Today

FOUNDED
2015

ASX
LISTED

40
EMPLOYEES

HQ MELBOURNE,
AUSTRALIA

SAAS
SOLUTIONS

320 CUSTOMERS
GLOBALLY

16% GROWTH IN
ARR ON PCP

OPEN SOLUTIONS
WITH API
CONNECTIONS

# Managing Director & Operations Report

**Knosys has a mission to be a leading software-as-a-service (SaaS) company connecting people and information.**

Knosys is a global B2B SaaS technology company with three leading SaaS solutions, which are designed to boost employee productivity, collaboration and connectivity in the digital workplace.

## Operation Locations



**320** Customers

**25+** Countries

**6** Offices

**40** Employees

**14** R&D Staff

# Managing Director Operations Report

In FY23, Knosys delivered a strong set of financial results, with total operating revenue up 12% and recurring revenue from license and support fees up 16%. These results were driven by new customer acquisitions, increased revenue per customer and a full 12-month contribution from the acquired Libero business.

Over the past year, the focus was on integration, consolidation and strategy refinement to prioritise the areas of highest growth potential, following two years of acquisition growth, which expanded the solution suite and increased the operational footprint globally.

# FY23 Financial Highlights

Key financial metrics in the 2023 financial year:

- License and support fee revenues increased by 16% to $9.6m (FY22: $8.3m);
- Total operating revenue for the consolidated entity increased by 12% to $9.9m (2022: $8.9m);
- Total income for the consolidated entity, including R&D rebate, increased by 15% to $10.8m (2022: $9.5m);
- The loss for the consolidated entity after providing for income tax was $2.2m (2022: Loss of $3.1m), including one-off acquisition costs of $30,702, non-cash charges for amortisation of intangibles of $711,310 and non-cash share-based remuneration expense of $410,916;
- Net cash outflow from operating activities was $0.8m (2022 outflow: $0.2m); and
- The consolidated entity had net assets of $7.2m at 30 June 2023 (2022: $8.9m) and held cash and cash equivalents of $2.0m (2022: $3.1m).

These results reflect predominately organic growth as well as the full year impact of the Libero business (acquired August 2021).

# FY23 Review of Operations

In FY23, Knosys grew recurring revenues by 16% to $9.6 million through new customer acquisition, contract extensions with key enterprise customers, an increase in average revenue per customer and a full 12-month contribution from the Libero business (10 months in FY22).

The Australian business accounts for 63% of total revenue which was up 12% in FY23, driven by contract price increases for GreenOrbit and Knowledge IQ customers as well as the full year impact in FY23 of Knowledge IQ contracts with Services Tasmania (started March 2022) and Services SA (started June 2022), the commencement of license fees under the Health Direct contract and a full year contribution from the Libero business.

Combined revenue from the United States, New Zealand, Europe, Asia and Rest of World, accounts for 37% of revenue which was up 11% in FY23. United States operations benefited from GreenOrbit's increased revenue per customer through contract price increases, while European operations benefited from a full 12-month contribution from the Libero business.

Over the past year, Knosys successfully implemented initiatives to increase the average revenue per customer across the domestic and international customer base, including upselling and relinquishing uneconomic customers. The sales and marketing team focused on new business lead generation, tender responses and the renewal and expansion of existing customer contracts across all solutions. In addition, Knosys successfully implemented a program to transition more customers to multi-year contracts to build Lifetime Contract Value (LCV).

## FY23 Key Highlights

**$9.5m**
ARR as at July 2023

**117%**
Increase in operating revenue since FY21

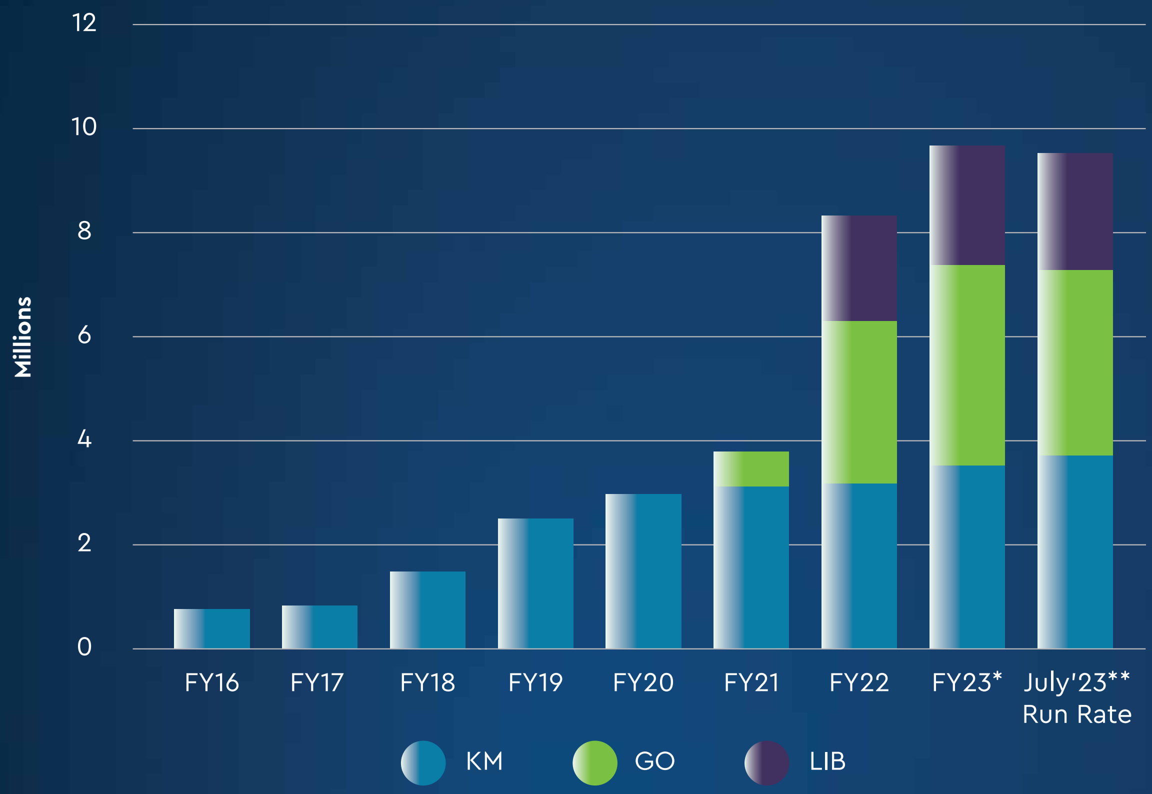
**85%**
Gross Profit Margin

**20%**
R&D spend as % of Revenue

**320**
Customers

**~6%**
Customer churn per annum

Annual Recurring Revenue (ARR)




*FY16 – FY23 reflects actual licence and support fee revenue for the year

**July'23 ARR reflects July'23 month's recurring revenue annualised to give an annual run rate

# FY23 Review of Operations (cont'd)

Key customer contract renewals and extensions in FY23 included:

- ANZ Bank three-year contract extension to June 2025 for KnowledgeIQ, with a total contract value over $5 million;
- Singtel two-year contract extension to January 2025 for KnowledgeIQ, with a total contract value of $750K;
- Optus additional one-year contract extension to January 2025 for KnowledgeIQ, with a total contract value over $1 million;
- Over 15 public library customers renewed, with multi-year contracts

These renewals provide visibility on our recurring revenue base over the years ahead and enable strategic investment decisions to be made on our product development roadmap.

Although Knosys grew revenues in FY23, the company was impacted by a lengthening of time frames to finalise and proceed to contract sign-off, reflecting the mixed economic signals and corporate planning uncertainty affecting some customers. Most of these delayed contracts have been pushed back into FY24 with decisions expected in the current financial year.

In FY23, Knosys increased investment in solution development and further refined the sales and marketing strategy to build a portfolio of market leading SaaS solutions across key industry verticals, including Health, Financial Services, Retail and Government. The future roadmap for all solutions was updated with new advanced features, a distinct marketing position and clear target markets.

Growth in the top line was achieved with disciplined cost control and self-funded investment through operating cash flow. In early 2023, Knosys restructured its support and testing capability through onshoring operations previously delivered by a team in India. This operational restructure delivered improved customer support and enhanced product development capability in a more efficient manner.

Over the past year, employee costs increased in line with market trends by 3% to $7.9 million and operational expenses were up 9% to $12.1 million. Operating cash flow was carefully managed with limited cash burn of $0.8m in FY23. The cash balance of $2 million as at 30 June 2023 increased to $4.2m in late July due to the timing of cash receipts.

## Review, refocus and restructure in June 2023

In the last quarter of FY23, Knosys refined its business strategy to meet the changing market conditions, prioritising specific solution development and customer acquisition in the areas of highest potential growth of Libero library management and knowledge management. Both solutions have the potential to be leaders in their respective markets, as they are considered business critical to existing and potential customers.

The strategic review of the Knosys solution portfolio included an assessment of the opportunity provided by the increased awareness and capability of Artificial Intelligence (AI). The updated roadmap includes consideration of the integration of emerging AI services that will deliver enhanced and new capacity in the Knosys solutions.

The refocused growth strategy was supported by a restructure of operations in late Q4, which should result in an estimated $1m reduction in future annual operating costs, achieved primarily through a reduction in head count. This continued focus on reducing group operational costs positions the Company well to pursue its objective of operating at a minimum of breakeven EBITDA.

## Solution portfolio

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

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

Knosys generates revenue from three SaaS solutions across Knowledge Management, Employee Experience and Library Management and operates a shared services model for product development, customer support, and sales and marketing.

## Knowledge Management Intuitive Platform

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

## Intranet – Employee Experience Solution

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

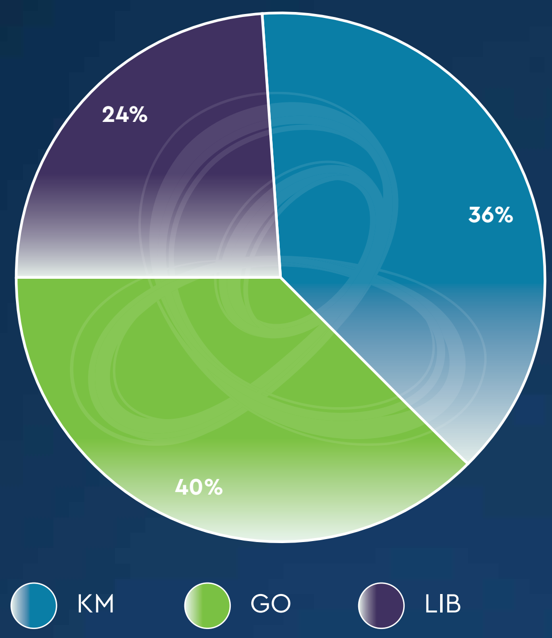
## Library Management Innovative Solution

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

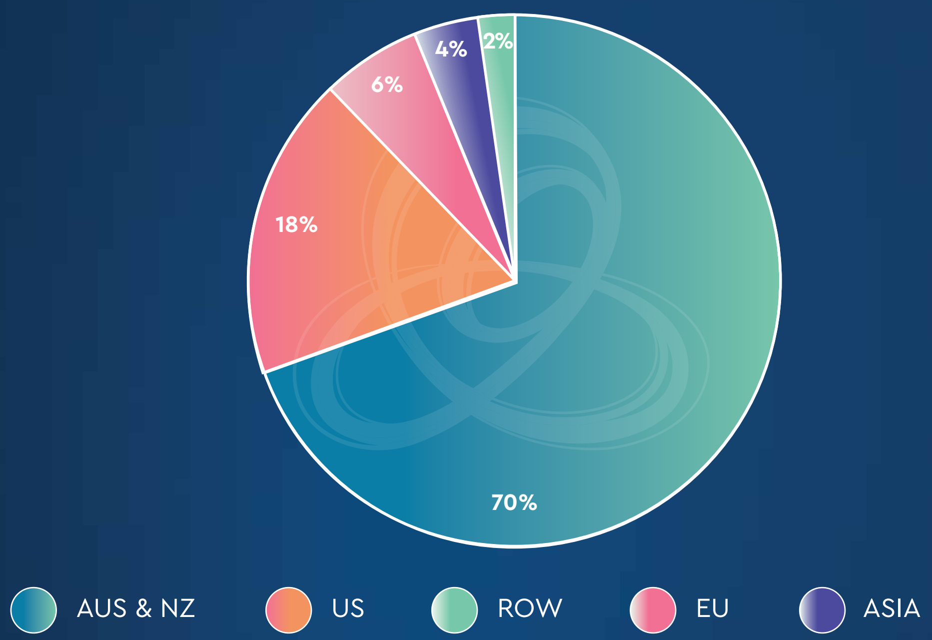
# Revenue by product and geography

Knosys has a diversified revenue base, by product and by geography.

## FY23 Revenue by Product




## FY23 Revenue by Geography




## Industry trends driving demand for the Knosys product suite

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

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

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

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

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

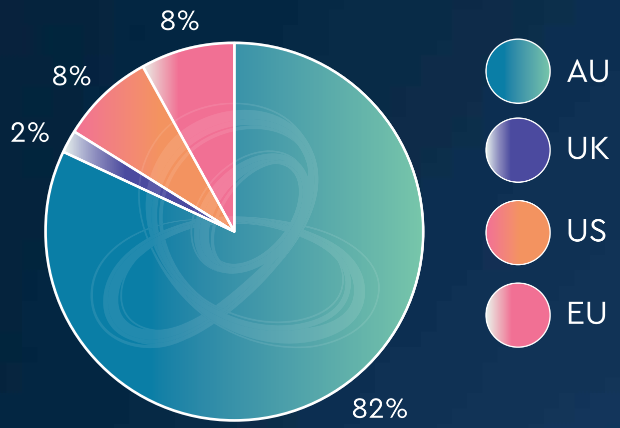
# Growth Strategy

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

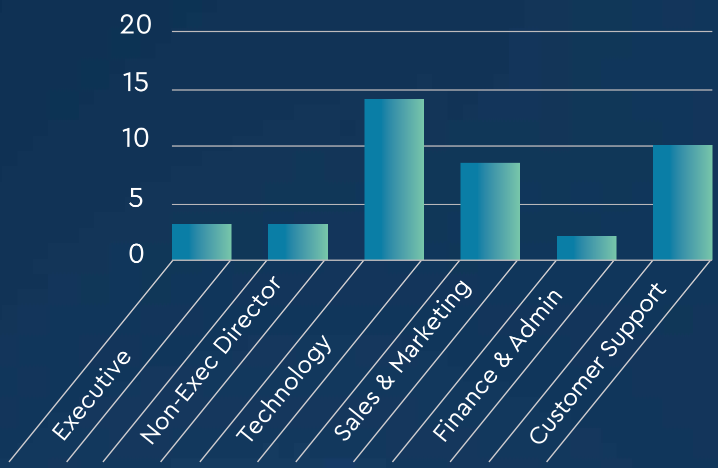
| | | |
|---|---|---|
| 1 | Grow revenue from existing customers | • Increase numbers of users, and sites through upselling to existing customers.<br>• Expand sales to existing customers via upsell of solutions and cloud upgrade projects |
| 2 | New customers and new markets | • Structure sales and marketing activity to accelerate pipeline growth and new customer acquisition in key markets.<br>• Expand sales activity into key markets not already purchasing. |
| 3 | Grow our brand awareness | • Attract new and retain customers.<br>• Attract and retain top employee talent<br>• Strengthen our brand to support better price points and more wins.<br>• Be a thought leader and industry innovator |
| 4 | Expand solutions offering and Intellectual Property (IP) | • Expand solutions offering through investment in additional features and technology services such as Artificial Intelligence (AI).<br>• Build out unique capabilities on the Library management and Knowledge management solutions. |
| 5 | Accelerate growth through acquisitions | • Pursue strategic, technology aligned and operationally compatible acquisitions, if the opportunity, timing and funding align. |

# Our People

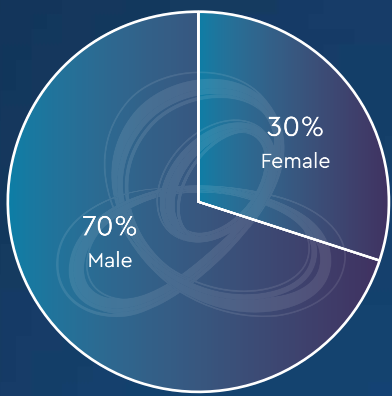
## By Region




## By Department




## Number of Employees


Knosys advises that within the digital and technology workforce, we are sitting above the average for the number of women employed, with women composing 30% of all Knosys staff and 38% of executive, middle management, and Board of Director positions.

## Our People

Our people are one of our greatest strengths and diversity and equity of opportunity are integral elements of Knosys' open and inclusive culture. Knosys strongly believes that diverse and inclusive teams are more creative, resourceful and knowledgeable. They generate broader perspectives and ideas, and they improve overall engagement. Ultimately Knosys' goal is to encourage and support all forms of diversity within the workforce and create an environment where all employees are valued and feel able to be their full selves in the workplace. During FY2023 we continued to focus on supporting the health and wellbeing of our people and implemented a new HR hub to develop a range of resources and programs for all team members going forward.

## Outlook

Knosys enters FY24 with a strong foundation of recurring revenue and a strengthening pipeline of enterprise and mid-market opportunities. There are early signs of improved market demand after many months of delayed decision making from customers at the corporate level around the procurement of new technology projects. The refined growth strategy to prioritise investment in Library Management and Knowledge Management Solutions is expected to deliver benefits in FY24 and beyond. The focus will remain firmly on disciplined cost control in FY24 as the Company continues to target EBITDA breakeven.

I would like to thank the whole Knosys team for their dedication and hard work over the past year. I would also like to thank our shareholders, for their ongoing support as we reposition the Company for sustainable growth in the years ahead.

**John Thompson**
**Managing Director**

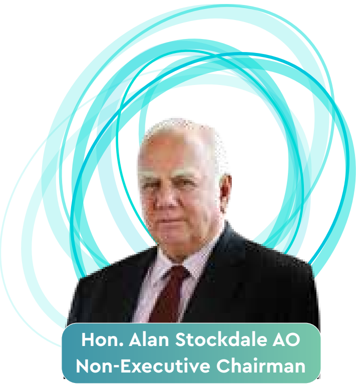
**28 August 2023**
**Melbourne**

# Board of Directors

# Information on directors

## HON. ALAN STOCKDALE AO — NON-EXECUTIVE CHAIRMAN

**Experience and expertise**




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

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

| | |
|---|---|
| Directorships held in other listed entities in the last 3 years | X2M Connect Limited |
| Interests in shares | 500,000 ordinary shares |
| Interests in options | Nil Options |

## KATHRIN MUTINELLI — NON-EXECUTIVE DIRECTOR

**Experience and expertise**


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

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

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

Kathrin is based in Brisbane and has been a director since 1 September 2021.

| | |
|---|---|
| Directorships held in other listed entities in the last 3 years | Nil |
| Interests in shares | 700,000 ordinary shares |
| Interests in options | Nil Options |

## NEIL WILSON — NON-EXECUTIVE DIRECTOR

**Experience and expertise**


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

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

| | |
|---|---|
| Directorships held in other listed entities in the last 3 years | Dubber Corporation Limited |
| Interests in shares | 750,000 ordinary shares |
| Interests in options | Nil Options |

## JOHN THOMPSON — MANAGING DIRECTOR

**Experience and expertise**


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

| | |
|---|---|
| Directorships held in other listed entities in the last 3 years | Nil |
| Interests in shares | 2,417,857 ordinary shares |
| Interests in options | 6,000,000 Options |

# Directors' Report

# Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Knosys Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

## Directors

The following persons were directors of Knosys Limited during the period from 1 July 2022 to the date of this report, unless otherwise stated:

| | |
|---|---|
| **Hon. Alan Stockdale** | Non-executive Chairman |
| **John Thompson** | Managing Director |
| **Kathrin Mutinelli** | Non-executive Director |
| **Neil Wilson** | Non-executive Director |

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

## Review of operations and financial performance

Refer to Managing Directors Report on page 23.

## Material business risks

The material business risks faced by the consolidated entity that could have an effect on its financial prospects include:

**Growth, profitability and positive cashflow**

The ability of the consolidated entity to self-fund its operations and strategic plans is dependent on its ability to maintain and grow its revenue line and its ability to manage operational expenses to achieve positive or near breakeven operational results and cashflows.

**Loss of key customers**

The consolidated entity's top two enterprise customers contribute 17% and 10% of annual revenue respectively. The loss of the commercial relationship with either one of these customers could cause a material reduction in annual revenue, if not replaced with new business, and would require the company to reduce its operational costs accordingly.

**Technological advancements**

The consolidated entity operates in the information technology environment which is subject to rapid changes and developments in products and solutions. Without an appropriate level of research and development by the consolidated entity its solutions risk becoming outdated and uncompetitive.

**Competitive environment**

The consolidated entity continually researches the market in order to understand and adapt to the competitive environment in which it operates, however existing competitors and new entrants to the market who may have greater resources and/or new leading-edge technologies could reduce the competitiveness of the consolidated entity's solutions and pose a risk to it maintaining and growing recurring revenues.

**Access to capital markets**

The consolidated entity's ability to grow rapidly or to deal with unforeseen adverse commercial outcomes may depend in part on its ability to access equity funding. There can be no assurance that any such equity funding will be available to the consolidated entity on favourable terms and, if so, the consolidated entity may not be able to take advantage of growth opportunities or respond fully to adverse circumstances.

**Legislative change**

The consolidated entity is subject to the general legislative frameworks of the markets in which it operates and is therefore affected by any legislative changes, along with its competitors. The consolidated entity invests in research and development and regularly receives an annual tax rebate of $500,000 or greater. The consolidated entity is currently of the size where a change in tax legislation, that adversely affects the consolidated entity's ability to claim this rebate, could compromise the consolidated entity's ability to fully fund its desired level of research and development.

**Supplier relationships**

The consolidated entity relies on its world leading primary hosting provider to host SaaS solutions and managed services to the majority of its customers. Should the provider suffer outages due to exceptional circumstances which cause disruption to the hosting service the consolidated entity's products and services may also be disrupted.

## Principal activities

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

## Dividends

No dividends were paid or declared during the financial year.

## Significant changes in the state of affairs

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

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Likely developments and expected results of operations

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

The consolidated entity has a growing sales pipeline in its global markets. The Company plans to accelerate its investment in product development in its knowledge management and library services products in the year to June 2024 in order to enable the Company to remain a leading provider in its chosen markets.

Given the size and competitive nature of the market in which the consolidated entity operates, further information on likely sales opportunities, planned product development and the expected results of operations of the consolidated entity have not been included in this report. The directors have utilised the exemption in s299A(3) and have not disclosed further details as they believe it would be likely to result in competitors gaining a commercial advantage and could lead to unreasonable prejudice to the operations and financial prospects of the consolidated entity.

## Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law apart from instruments applicable to all companies.

## Information on directors

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

## Company Secretary and Chief Financial Officer

Stephen Kerr (BCom, CA, CS, FGIA) has held the role of CFO and Company Secretary since July 2015. Stephen Kerr is a qualified chartered accountant and chartered company secretary. He is an experienced CFO and governance professional, having held senior finance positions in private and publicly listed company environments across Australia and New Zealand for over 25 years. Stephen holds a Bachelor of Commerce from the University of Melbourne and is a current member of Chartered Accountants Australia and New Zealand, a Fellow of the Governance institute of Australia and a member of The Australian Institute of Company Directors.

## Meetings of directors

Director attendance at Board and standing Board committee meetings held from 1 July 2022 to 30 June 2023, is set out in the table below:

| | FULL BOARD | | AUDIT COMMITTEE | |
|---|---|---|---|---|
| | **Attended** | **Held** | **Attended** | **Held** |
| **Hon. Alan Stockdale** | 12 | 12 | - | - |
| **John Thompson** | 12 | 12 | - | - |
| **Kathrin Mutinelli** | 12 | 12 | 1 | 1 |
| **Neil Wilson** | 12 | 12 | 1 | 1 |

Held: represents the number of meetings held while the director was a member of the Board or of the committee

The standing audit committee was established during the financial year, with audit committee duties previously being undertaken by the full Board.

# Remuneration Report (audited)

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

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

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

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

## Principles used to determine the nature and amount of remuneration

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

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

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

**Non-executive directors' remuneration**

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. No such advice was sought for the financial year ended 30 June 2023. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

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

**Executive remuneration**

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

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

**Consolidated entity performance and link to remuneration**

Remuneration for certain individuals is directly linked to the performance of the consolidated entity.

A portion of cash bonus and incentive payments are dependent on defined revenue and earnings targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

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

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue | 9,947,859 | 8,916,995 | 4,594,082 | 3,137,317 | 2,909,228 |
| Profit / (loss) before transaction costs and income tax expense | (2,121,481) | (2,535,746) | 15,525 | (908,391) | (771,912) |
| Profit / (loss) attributable to owners of the parent entity | (2,195,604) | (3,050,548) | (543,838) | (908,391) | (771,912) |
| Dividends paid | - | - | - | - | - |
| Revenue growth | 11.6% | 94.1% | 46.4% | 7.8% | 10.8% |
| Change in operating result | 28.0% | (461%) | 40.1% | (17.7%) | 4.2% |
| Change in share price | (3.2%) | (59%) | 75% | (16%) | 25% |
| Return on capital employed | (27.0%) | (32.5%) | (8.6%) | (30%) | (31%) |

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

# Details of remuneration

**Amounts of remuneration**

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

The key management personnel of the consolidated entity during the year to 30 June 2023 consisted of the following directors of Knosys Limited:

- Alan Stockdale – Non-Executive Chairman
- John Thompson – Managing Director
- Kathrin Mutinelli – Non-Executive Director
- Neil Wilson – Non-Executive Director

And the following persons:

- Stephen Kerr – Company Secretary and Chief Financial Officer

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Long service leave | Equity-settled | Total |
| **2023** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Non-Executive Directors:** | | | | | | | |
| Alan Stockdale | 75,000 | - | - | 7,875 | - | - | 82,875 |
| Kathrin Mutinelli | 50,228 | - | - | 5,274 | - | - | 55,502 |
| Neil Wilson | 55,000 | - | - | - | - | - | 55,000 |
| **Executive Director:** | | | | | | | |
| John Thompson | 322,962 | 52,700 | 37,902 | 26,991 | 13,428 | 185,110 | 639,093 |
| **Other Key Management Personnel:** | | | | | | | |
| Stephen Kerr | 260,063 | 35,300 | 2,316 | 27,298 | 7,150 | 95,654 | 427,781 |
| | 763,253 | 88,000 | 40,218 | 67,438 | 20,578 | 280,764 | 1,260,251 |

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

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

| 2023 | Fixed remuneration | At risk – STI | At risk – LTI |
|---|---|---|---|
| **Non-Executive Directors:** | | | |
| Alan Stockdale (Chairman) | 100% | -% | -% |
| Kathrin Mutinelli | 100% | -% | -% |
| Neil Wilson | 100% | -% | -% |
| **Managing Director:** | | | |
| John Thompson | 63% | 8% (14.6% available) | 29% |
| **Other Key Management Personnel:** | | | |
| Stephen Kerr | 70% | 8% (13.3% available) | 22% |

| 2022 | Fixed remuneration | At risk – STI | At risk – LTI |
|---|---|---|---|
| **Non-Executive Directors:** | | | |
| Alan Stockdale (Chairman) | 100% | -% | -% |
| Peter Pawlowitsch | 100% | -% | -% |
| Kathrin Mutinelli | 100% | -% | -% |
| Neil Wilson | 100% | -% | -% |
| **Managing Director:** | | | |
| John Thompson | 51% | 10% (13% available) | 39% |
| **Other Key Management Personnel:** | | | |
| Stephen Kerr | 58% | 9% (12% available) | 33% |

## Service agreements

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

| | |
|---|---|
| Name: | John Thompson |
| Title: | Chief Executive Officer |
| Agreement commenced: | 18 July 2016 |
| Term of agreement: | No fixed term |
| Details: | Annual base salary package for the year ending 30 June 2023 of $377,057 including superannuation. Remuneration to be reviewed annually by the Board,<br><br>6-month termination notice by either party, STI performance bonus of up to $100,000 (including statutory superannuation) based on financial and non-financial KPI's, including achievement of budget, over achievement of budget, new sales orders, leadership, customer relations, investor relations, and product development. Non-disclosure, non-solicitation and non-compete clauses apply. An amount of $52,700 relating to performance in the 2023 year was assessed as a bonus entitlement for the 2023 financial year. |

| | |
|---|---|
| Name: | Stephen Kerr |
| Title: | Chief Financial Officer and Company Secretary |
| Agreement commenced: | 9 June 2015 |
| Term of agreement: | No fixed term |
| Details: | Annual base salary package for the year ending 30 June 2023 of $287,361 including superannuation, employment is for four days per week during normal working hours on days agreed with the CEO and reasonable additional hours during these days in order to perform responsibilities and duties. Remuneration is to be reviewed annually by the Board, 3-month termination notice by either party, STI performance bonus of up to $60,000 (including statutory superannuation) based on financial and non-financial KPI's, non- disclosure, non-solicitation and non-compete clauses. An amount of $35,300 relating to performance in the 2023 year was assessed as a bonus entitlement in the 2023 financial year. |

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

## Share-based compensation

**Loan funded shares**

The terms and conditions of each issue of loan funded shares which affect the remuneration of key management personnel in this financial year or future reporting years are as follows:

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

No loan funded shares were granted to directors in this financial year.

Participants acquire loan funded shares using a loan provided by the consolidated entity. The loan is interest-free and limited recourse in accordance with the loan terms. The loan shares are restricted securities. The loan terms require the loan to be repaid before a participant can receive any proceeds from the sale of their shares.

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

**Options**

The terms and conditions of each issue of options which affect the remuneration of key management personnel in this financial year or future reporting years are as follows:

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

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

**Shares issued on the exercise of options.**

No ordinary shares of Knosys Limited were issued to key management personnel during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted.

## Additional disclosures relating to key management personnel

**Shareholding**

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

| | Balance at the start of the year | Received as part of remuneration | Cessation as a director | Forfeited | Balance at the end of the year |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| Alan Stockdale | 500,000 | - | - | - | 500,000 |
| Kathrin Mutinelli | 700,000 | - | - | - | 700,000 |
| Neil Wilson | 750,000 | - | - | - | 750,000 |
| John Thompson | 2,417,857 | - | - | - | 2,417,857 |
| Stephen Kerr | 3,228,902 | - | - | - | 3,228,902 |
| | 7,596,759 | - | - | - | 7,596,759 |

**Option holding**

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

| Options over ordinary shares | Balance at the start of the year | Received as part of remuneration | Balance at the end of the year – vested | Balance at the end of the year – unvested | Balance at the end of the year |
|---|---|---|---|---|---|
| John Thompson | 6,000,000 | - | 1,980,000 | 4,020,000 | 6,000,000 |
| Stephen Kerr | 1,775,000 | - | 585,750 | 1,189,250 | 1,775,000 |
| | 7,775,000 | - | 2,565,750 | 5,209,250 | 7,775,000 |

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

This concludes the remuneration report, which has been audited.

## Options

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

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

Each option carries no rights other than the right, once vested, to subscribe for one fully paid ordinary share at the exercise price.

## Indemnity and insurance of officers

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

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

## Indemnity and insurance of auditor

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

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

## Proceedings on behalf of the company

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

## Non-audit services

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

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

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

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

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

## Auditor's independence declaration

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

## Auditor

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

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

On behalf of the directors

Hon. Alan Stockdale AO
Director

28 August 2023
Melbourne

William Buck
ACCOUNTANTS & ADVISORS

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

**R. P. Burt**
Director
Melbourne, 28 August 2023

Knosys **empowers organisations.**

Boosting productivity, collaboration and connectivity in the digital workplace.

# Financial Statements

Consolidated

**30 June 2023**

**ABN 96 604 777 862**

# Contents



# General information

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

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

**Registered office and principal place of business**

Part Level 8
31 Queen Street
Melbourne VIC 3000

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

The financial statements were authorised for issue on 28 August 2023, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

# Statement of profit or loss and other comprehensive income For the year ended 30 June 2023

| | Notes | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|---|
| **Revenue** | 3 | 9,947,859 | 8,916,995 |
| Research and development tax refund | 2 | 858,149 | 539,643 |
| Other income | | 39,278 | 7,608 |
| **Expenses** | | | |
| Licence fee and support expense | | (1,572,143) | (1,189,504) |
| Payments to suppliers for research and development activities | | (499,501) | (228,198) |
| Employee benefits expense | 4 | (7,876,739) | (7,613,162) |
| Depreciation and amortisation expense | | (876,847) | (927,925) |
| Legal and accounting expense | | (321,075) | (260,917) |
| Travel and accommodation expense | | (143,287) | (147,439) |
| Finance costs | | (4,135) | (9,600) |
| Administration and corporate expense | | (1,673,040) | (1,623,247) |
| **Profit / (Loss) before acquisition costs[1] and income tax** | | (2,121,481) | (2,535,746) |
| Transaction costs related to acquisition of businesses | 4 | (30,702) | (499,196) |
| **Loss before income tax** | | (2,152,183) | (3,034,942) |
| Income tax expense | 5 | (43,421) | (15,606) |
| **Loss after income tax expense for the year attributable to owners of the Knosys Limited** | | (2,195,604) | (3,050,548) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* Foreign currency translation | | (51,533) | (27,747) |
| **Total comprehensive loss for the year attributable to owners of Knosys Limited** | | (2,247,137) | (3,078,295) |
| **Loss per share for loss attributable to the owners of the parent** | | **Cents** | **Cents** |
| Basic and diluted loss per share | 27 | (1.04) | (1.44) |

[1]This is a non-GAAP disclosure included due to the material level of transaction costs related to acquisition of businesses

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

## Statement of financial position
## As at 30 June 2023

| | Notes | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 2,017,110 | 3,095,702 |
| Trade receivables | 6 | 2,427,234 | 2,382,668 |
| Accrued research and development tax refund receivable | | 650,000 | 550,000 |
| Prepayments & sundry receivables | 7 | 325,554 | 337,008 |
| **Total current assets** | | 5,419,898 | 6,365,378 |
| **Non-current assets** | | | |
| Intangible assets and goodwill | 8 | 8,173,786 | 8,885,095 |
| Buildings – Right-of-use asset | 9 | 89,557 | 73,986 |
| Plant and equipment | 10 | 157,662 | 79,761 |
| **Total non-current assets** | | 8,421,005 | 9,038,842 |
| **Total assets** | | 13,840,903 | 15,404,220 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 911,388 | 1,038,554 |
| Provisions | 12 | 708,378 | 741,667 |
| Lease liability | 13 | 89,958 | 94,705 |
| Contract liabilities | 14 | 5,017,665 | 4,534,870 |
| **Total current liabilities** | | 6,727,389 | 6,409,796 |
| **Non-current liabilities** | | | |
| Provisions | 12 | 24,050 | 68,739 |
| Lease liability | 13 | - | - |
| **Total non-current liabilities** | | 24,050 | 68,739 |
| **Total liabilities** | | 6,751,439 | 6,478,535 |
| **Net assets** | | 7,089,464 | 8,925,685 |
| **Equity** | | | |
| Issued capital | 15 | 17,488,521 | 17,488,521 |
| Share based payments reserve | 25 | 1,452,442 | 1,041,526 |
| Foreign currency translation reserve | | (80,823) | (29,290) |
| Accumulated losses | | (11,770,676) | (9,575,072) |
| **Total equity** | | 7,089,464 | 8,925,685 |

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

# Statement of changes in equity
# For the year ended 30 June 2023

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

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2022 | 17,488,521 | 1,012,236 | (9,575,072) | 8,925,685 |
| | | | | |
| Loss after income tax expense for the year | - | - | (2,195,604) | (2,195,604) |
| Foreign currency translation | - | (51,533) | - | (51,533) |
| Total comprehensive loss for the year | - | (51,533) | (2,195,604) | (2,247,137) |
| | | | | |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity, net of transaction costs (Note 15) | - | - | - | - |
| Share based payments (Note 25) | - | 410,916 | - | 410,916 |
| Transfer from share based payments reserve to issued capital on realisation of share based remuneration instruments | - | - | - | - |
| Balance at 30 June 2023 | 17,488,521 | 1,371,619 | (11,770,676) | 7,089,464 |

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

# Statement of cash flows
# For the year ended 30 June 2023

| | Notes | Consolidated 2023 $ | 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 10,386,088 | 9,305,715 |
| Payments to suppliers and employees | | (11,920,093) | (9,998,059) |
| Research and development tax refund | | 758,149 | 489,643 |
| Interest received | | 39,278 | 7,608 |
| Interest paid | | (4,135) | (9,600) |
| Grant revenue | | - | - |
| Tax paid | | (43,421) | (15,606) |
| Net cash (used in) / from operating activities | 24 | (784,134) | (220,299) |
| **Cash flows from investing activities** | | | |
| Cash (paid) / received on acquisition of business | | - | (2,726,183) |
| Payment of transaction costs related to acquisition of businesses | | (30,702) | (569.857) |
| Payments for plant and equipment | | (124,653) | (59,494) |
| Net cash (used in) / from investing activities | | (155,355) | (3,355,534) |
| **Cash flows from financing activities** | | | |
| Repayment of lease liability | | (139,103) | (126,130) |
| Proceeds from issue of shares | | - | 265,250 |
| Share issue transaction costs | | - | - |
| Net cash from financing activities | | (139,103) | 139,120 |
| **Net increase (decrease) in cash and cash equivalents** | | **(1,078,592)** | **(3,436,713)** |
| Cash and cash equivalents at the beginning of the financial year | | 3,095,702 | 6,532,415 |
| **Cash and cash equivalents at the end of the financial year** | | **2,017,110** | **3,095,702** |

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

# Notes to the financial statements 30 June 2023

## Note 1. Significant accounting policies

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

**New or amended Accounting Standards and Interpretations adopted**

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

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

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

**Basis of preparation**

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

*Historical cost convention*

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

*Critical accounting estimates*

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

**Legal Parent entity information**

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

**Principles of consolidation**

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

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

**Foreign currency translation**

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

*Foreign currency transactions*

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

*Foreign operations*

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

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

**Business combinations**

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

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

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

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

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

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

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

(i) 12 months from the date of the acquisition or

(ii) when the acquirer receives all the information possible to determine fair value.

**Revenue recognition**

The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*

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

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

Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

*Rendering of services*

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

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

*Research and development tax refund income*

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

*Interest*

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

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

**Income tax**

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

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

**Cash and cash equivalents**

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

**Trade and other receivables**

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

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

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

**Plant and equipment**

*Recognition and measurement*

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

*Depreciation*

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

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

**Right-of-use assets**

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

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

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

**Trade and other payables**

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

**Provisions**

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

**Intangible assets**

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

**Goodwill**

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

**Research and development**

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

**Impairment of non-financial assets**

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

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

**Employee benefits**

*Short-term employee benefits*

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

*Other long-term employee benefits*

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

*Defined contribution superannuation expense*

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

*Share-based payments*

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

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

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

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

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

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

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

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

**Contract liabilities**

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

**Issued capital**

Ordinary shares are classified as equity.

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

**Lease Liabilities**

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

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

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

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

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

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

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

**Loss per share**

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

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

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

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended and that have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2023 are listed below. The consolidated entity has assessed that these new or amended Accounting Standards and Interpretations will not have a material effect on the financial statements of the company for the reporting period commencing 1 July 2023.

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

## Note 2. Critical accounting judgements, estimates and assumptions

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

*Estimation of accrued research and development tax refund*

As at 30 June 2022 the consolidated entity had accrued $550,000 in accrued research and development tax refund credits in-respect of the 2022 tax return. The directors of the consolidated entity engaged an industry expert to prepare and lodge this return. An amount of $758,149 was receipted into the bank in June 2023 in regard to the 2022 tax return and R&D claim. Based upon the methodology adopted by the industry expert, the consolidated entity has accrued a research and development tax refund receivable of $650,000 for the 2023 financial year. Key matters considered by the directors in calculating this accrual included the following:

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

*Share based payments*

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

*Goodwill and other indefinite life intangible assets*

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

*Business combinations*

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

*Determination of lease term*

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

*Allowance for expected credit losses*

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

*Recovery of deferred tax assets*

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

## Note 3. Revenue

| | Consolidated | |
|---|---|---|
| | **2023**<br>**$** | **2022**<br>**$** |
| **Sales revenue** | | |
| Licence and support fees | 9,644,055 | 8,298,529 |
| Rendering of services | 303,804 | 618,466 |
| Revenue | 9,947,859 | 8,916,995 |

## Note 4. Expenses

| | Consolidated | |
|---|---|---|
| | **2023 $** | **2022 $** |
| **Loss before income tax includes the following specific expenses:** | | |
| *Transaction costs related to acquisition of businesses* | 30,702 | 499,196 |
| Transaction costs incurred in 2023 are residual stamp duty and associated legal costs related to the acquisition of the LIBERO business, which completed on 31 August 2021. | | |
| **Employee benefits expense** | | |
| Superannuation expense – Accumulation fund | 533,928 | 408,650 |
| Share based payments expense | 410,916 | 720,892 |

## Note 5. Income tax expense

| | Consolidated | |
|---|---|---|
| | **2023 $** | **2022 $** |
| **Income tax expense** | | |
| Current Tax benefit | (359,549) | (318,250) |
| Deferred tax – origination and reversal of temporary differences | 24,093 | (19,210) |
| Deferred tax assets not recognised | 378,877 | 353,066 |
| Aggregate income tax expense | 43,421 | 15,606 |
| **Unrecognised deferred tax assets** | | |
| Unused tax losses for which no deferred tax asset has been recognised | 1,258,952 | 880,076 |
| **Numerical reconciliation of income tax expense and tax at the statutory rate** | | |
| Loss before income tax expense | (2,152,183) | (3,034,942) |
| Tax at the statutory tax rate of 25% (30 June 2021 26%) | (538,046) | (758,735) |
| **Tax effect amounts which are not deductible/(taxable) in calculating taxable income:** | | |
| Entertainment expenses | 6,371 | 5,700 |
| Research and development costs | 361,111 | 305,556 |
| Share based payments expense | 102,729 | 177,723 |
| Sundry items | (96,504) | 51,601 |
| Non-assessable R&D refund | (214,537) | (134,911) |
| | (378,876) | (353,066) |
| Deferred tax assets not recognised | 378,876 | 353,066 |
| Income tax paid in foreign jurisdiction | 43,421 | 15,606 |
| Income tax expense | 43,421 | 15,606 |

## Note 6. Current assets – trade receivables

| | Consolidated | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Trade receivables | 2,427,234 | 2,382,668 |

The aging analysis of trade receivables is as follows:

| | | | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| | **Total $** | **Neither past due nor impaired $** | **< 30 days $** | **30-60 days $** | **61-90 days $** | **90+ days $** |
| 2023 | 2,427,234 | 2,255,047 | 61,552 | 78,983 | 23,915 | 7,737 |
| 2022 | 2,382,668 | 2,150,082 | 129,391 | 94,401 | 5,219 | 3,575 |

As at 30 June 2023 no trade receivables were impaired (2022: Nil)

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

## Note 7. Prepayments and other receivables

| | Consolidated | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Prepayments | 296,448 | 311,231 |
| Other receivables | 29,106 | 25,777 |
| | 325,554 | 337,008 |

## Note 8. Intangibles

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

| | **Goodwill $** | **Customer contracts $** | **Marketing assets $** | **Consolidated Total $** |
|---|---|---|---|---|
| Carrying value at 1st July 2022 | 3,303,215 | 4,947,268 | 634,612 | 8,885,095 |
| Amortisation | - | (553,396) | (157,913) | (711,309) |
| Carrying value at 30 June 2023 | 3,303,215 | 4,393,872 | 476,699 | 8,173,786 |
| | | | | |
| Cost as at 30 June 2023 | 3,303,215 | 5,533,000 | 790,000 | 9,626,215 |
| Accumulated Amortisation at 30 June 2023 | - | (1,139,128) | (313,301) | (1,452,429) |
| Carrying value at 30 June 2023 | 3,303,215 | 4,393,872 | 476,699 | 8,173,786 |

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

**Impairment of intangibles**

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

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

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

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

a. Revenue growth for year 1 is based on the Board approved budget of the consolidated entity, which includes the impact of a full 12 months of revenue generation from the GreenOrbit and Libero businesses. A revenue growth rate of 7.5% has been estimated for years 2 to 5 of the model. This is a conservative estimate on the future growth of the business.

b. Projected cash flows have been discounted using a pre-tax discount rate of 13.97% (2022: 13.7%). The consolidated entity is debt free and is therefore not subject to borrowing costs and the beta used is based on market available data.

c. An annual growth rate of 2.5% (2021: 2.5%) has been estimated in the calculation of terminal value being in line with comparable market companies.

Based on the above assumptions, the recoverable amount of the cash generating unit has been determined to exceed its carrying amount as at 30 June 2023 and accordingly, no impairment loss has been recognised.

Sensitivity to changes in assumptions

The impairment model is most sensitive to the following assumptions:

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

A rise in the discount rate to over 20% would result in an impairment. No other reasonable possible change in assumptions would result in an impairment charge being recognised.

## Note 9. Right of use asset

| | Consolidated | |
|---|---|---|
| | **2023** **$** | **2022** **$** |
| Buildings – right-of-use | 541,336 | 406,980 |
| Accumulated depreciation | (451,779) | (332,994) |
| | 89,557 | 73,986 |

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

## Note 10. Plant and equipment

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

| | **Furniture & fittings** **$** | **Office equipment** **$** | **Consolidated Total** **$** |
|---|---|---|---|
| Carrying value at 30 June 2021 | 46,534 | 49,538 | 96,072 |
| Additions | 8,110 | 50,529 | 58,639 |
| Depreciation | (48,641) | (26,309) | (74,950) |
| Carrying value at 30 June 2022 | 6,003 | 73,758 | 79,761 |
| | | | |
| Cost as at 30 June 2022 | 173,363 | 229,868 | 403,231 |
| Accumulated depreciation at 30 June 2022 | (167,360) | (156,110) | (323,470) |
| Carrying value at 30 June 2022 | 6,003 | 73,758 | 79,761 |
| | | | |
| Additions | 41,384 | 84,859 | 126,243 |
| Depreciation | (9,828) | (38,514) | (48,342) |
| Carrying value at 30 June 2023 | 37,559 | 120,103 | 157,662 |
| | | | |
| Cost as at 30 June 2023 | 214,747 | 314,727 | 529,474 |
| Accumulated depreciation at 30 June 2023 | (177,188) | (194,624) | (371,812) |
| Carrying value at 30 June 2023 | 37,559 | 120,103 | 157,662 |

## Note 11. Current liabilities – trade and other payables

| | Consolidated 2023 $ | 2022 $ |
|---|---|---|
| Trade payables | 154,937 | 150,929 |
| Other payables | 756,451 | 887,625 |
| | 911,388 | 1,038,554 |

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

| | Total $ | On demand $ | < 3 months $ | 3 to 12 months $ |
|---|---|---|---|---|
| 2023 | 154,937 | - | 154,937 | - |
| 2022 | 150,929 | - | 146,740 | 4,189 |

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

## Note 12. Provisions

| | Consolidated 2023 $ | 2022 $ |
|---|---|---|
| **Provision for employee benefits – current** | | |
| Provision for employee benefits – current | 708,378 | 741,667 |
| **Provision for employee benefits – non-current** | | |
| Provision for employee benefits – non-current | 24,050 | 68,739 |

## Note 13. Lease liabilities

| | Consolidated 2023 $ | 2022 $ |
|---|---|---|
| **Lease Liability – current** | | |
| Lease liability – current | 89,958 | 94,705 |
| **Lease Liability – non-current** | | |
| Lease liability – non-current | - | - |

## Note 14. Current liabilities – Contract liabilities

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Contract liabilities | 5,017,665 | 4,534,870 |

| | | |
|---|---|---|
| Reconciliation of the values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening balance | 4,534,870 | 2,893,063 |
| Amounts billed in advance during the year, where the performance obligations were and will be satisfied over the FY23 and FY24 years | 9,617,129 | 7,465,040 |
| Balances acquired on acquisition of business | - | 1,081,918 |
| Transfer to revenue – performance obligations satisfied | (9,134,334) | (6,905,151) |
| | 5,017,665 | 4,534,870 |

## Note 15. Equity – issued capital

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Ordinary shares – fully paid | 17,488,521 | 17,488,521 |

*Movements in ordinary share capital*

| Details | Date | No. of shares Legal Parent 2023 | No. of shares Legal Parent 2022 |
|---|---|---|---|
| **Legal parent** | | | |
| Balance at start of year | | 216,138,698 | 207,242,147 |
| Issue of share capital to shareholder on completion of acquisition of Libero business | 31 Aug 2021 | - | 6,896,551 |
| Issue of share capital to shareholders on exercise of options | 16 Dec 2021 | - | 2,000,000 |
| Balance at end of year | | 216,138,698 | 216,138,698 |

| Details | Date | 2023 $ | 2022 $ |
|---|---|---|---|
| **Consolidated entity** | | | |
| As at start of the financial year | | 17,488,521 | 16,149,271 |
| Issue of share capital to shareholder on completion of acquisition of Libero business | 31 Aug 2021 | - | 1,000,000 |
| Repayment of loan on loan funded shares | 8 Dec 2021 | - | 25,250 |
| Issue of share capital to shareholders on exercise of options | 16 Dec 2021 | - | 240,000 |
| Transfer from share-based payments reserve | 31 Dec 2021 | - | 74,000 |
| Balance as at end of the financial year | | 17,488,521 | 17,488,521 |

*Ordinary shares*

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

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

*Movements in options on issue*

| Details | Date | No. of options Legal Parent 2023 | No. of options Legal Parent 2022 |
|---|---|---|---|
| **Legal parent** | | | |
| Balance at start of year | | 10,550,000 | 2,000,000 |
| Options exercised | 16 Dec 2021 | - | (2,000,000) |
| Options issued during the year | 23 Dec 2021 | - | 10,550,000 |
| Balance at end of year | | 10,550,000 | 10,550,000 |

All options are unlisted and are subject to a range of vesting conditions. Refer Note 25.

*Capital risk management*

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

# Note 16. Financial instruments

**Financial risk management objectives**

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

**Credit risk**

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

**Liquidity risk**

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

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

| | Consolidated | |
|---|---|---|
| | **2023 $** | **2022 $** |
| **Lease liabilities** | | |
| Payable at the reporting date: | | |
| Within 6 months | 67,173 | 71,398 |
| 6 to 12 months | 22,785 | 23,307 |
| 1 to 5 years | - | - |
| | 89,958 | 94,705 |

**Foreign currency risk**

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

**Fair value of financial instruments**

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

## Note 17. Key management personnel disclosures

**Compensation**

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

| | Consolidated | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Short-term employee benefits | 891,471 | 935,333 |
| Share based payments | 280,764 | 465,036 |
| Post-employment benefits | 67,438 | 67,459 |
| Long-term benefits | 20,578 | 25,281 |
| | 1,260,251 | 1,493,109 |

## Note 18. Remuneration of auditors

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

| | Consolidated | |
|---|---|---|
| | **2023 $** | **2022 $** |
| *Assurance services – William Buck* | | |
| Audit or review of the financial statements | 57,211 | 51,800 |
| *Other services – William Buck* | | |
| Taxation advice | 14,072 | 17,883 |

## Note 19. Contingent liabilities

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

## Note 20. Related party transactions

*Legal parent entity*

Knosys Limited is the legal parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in Note 22.

*Key management personnel*

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

## Note 21. Legal parent entity information

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

*Statement of profit or loss and other comprehensive income*

| | Legal Parent | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Profit (Loss) after income tax | 100,998 | (1,033,657) |
| Total comprehensive profit (loss) | 100,998 | (1,033,657) |

*Statement of financial position*

| | Legal Parent | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Total current assets | 1,808,563 | 1,988,386 |
| Total assets | 18,885,842 | 18,362,237 |
| Total current liabilities | 27,339 | 15,648 |
| Total liabilities | 27,339 | 15,648 |
| **Equity** | | |
| Issued capital | 24,623,643 | 24,623,643 |
| Reserves | 1,442,442 | 1,031,526 |
| Accumulated losses | (7,207,582) | (7,308,580) |
| Total equity | 18,858,503 | 18,346,589 |

*Contingent liabilities*

The legal parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments – Property, plant and equipment*

The legal parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Significant accounting policies*

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

## Note 22. Interests in subsidiaries

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

| | | Ownership interest | |
|---|---|---|---|
| **Name** | **Principal place of business / Country of incorporation** | **2023 %** | **2022 %** |
| Knosys Solutions Pty Ltd<br>Principal activities – Operating company for the Knosys knowledge management business, providing operational infrastructure, employees, sales resources, Knosys Platform research, development and customer support. | Australia | 100% | 100% |
| Knosys Products Pty Ltd<br>Principal activity – Holder of the Knosys Platform intellectual property. | | | |
| | Australia | 100% | 100% |
| Knosys Asia Pte Ltd<br>Principal activity – Provider of sales and marketing resources to sell Knosys Platform in Singapore and surrounding regions. | Singapore | 100% | 100% |
| Greenorbit Pty Ltd<br>Principal activity – Australian operating company of the GreenOrbit business, providing operational infrastructure, employees, sales resources, research, development and customer support | Australia | 100% | 100% |

| Name | Principal place of business / Country of incorporation | Ownership interest 2023 % | Ownership interest 2022 % |
|---|---|---|---|
| Greenorbit Inc.<br>Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in USA | United States | 100% | 100% |
| Greenorbit Software Limited<br>Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in UK | United Kingdom | 100% | 100% |
| Greenorbit Software Pvt Ltd<br>Principal activity – Provider of customer support to GreenOrbit customers and software development services to the GreenOrbit business | India | 100% | 100% |
| Libero Systems Pty Ltd<br>Principal activity – Provider of sales and marketing resources to sell and support the GreenOrbit intranet software in UK | Australia | 100% | 100% |
| Libero IS GmbH<br>Principal activity – Provider of sales resources for the Libero business and customer support to Libero customers | Germany | 100% | 100% |

## Note 23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Loss after income tax expense for the year | (2,195,604) | (3,050,548) |
| Adjustments for: | | |
| Depreciation and amortisation | 876,847 | 927,925 |
| Share based payments expense | 410,916 | 720,892 |
| Transaction costs related to acquisition of businesses | 30,702 | 499,196 |
| Change in operating assets and liabilities (the changes in 2022 include the movements in balances acquired via the acquisition of the Libero business during the financial period): | | |
| Decrease/(increase) in trade receivables | (44,566) | (171,169) |
| Increase /(decrease) in revenue billed in advance | 482,795 | 559,889 |
| (Increase) in accrued research and development tax refund receivable | (100,000) | (50,000) |
| (Increase)/decrease in prepayments and other debtors | 11,454 | (59,046) |
| Increase in trade and other payables | (127,165) | 345,894 |
| (Decrease) in foreign currency translation reserves | (51,533) | (27,747) |
| Increase in provision for employee benefits | (77,980) | 84,415 |
| Net cash used in operating activities | (784,134) | (220,299) |

# Note 25. Share-based payments

**Loan funded share plan and loan funded shares**

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

**As at 30 June 2023 the following loan funded shares had been granted:**

| Grant date | Issue date | Loan expiry date | Issue price | Balance at 30 June 2022 Number | Issued during the period Number | Loan repaid during the period Number | Forfeited during the period Number | Balance at 30 June 2023 Number | Vested at end of the period Number | Share-based payments expense for 2023 $ |
|---|---|---|---|---|---|---|---|---|---|---|
| 28/11/2017 | 19/02/2018 | 18/02/2028 | $0.06 | 1,200,000 | - | - | - | 1,200,000 | 1,200,000 | 0 |
| 30/01/2018 | 19/02/2018 | 18/02/2028 | $0.10 | 1,600,000 | - | - | - | 1,600,000 | 1,600,000 | 0 |
| 26/11/2018 | 24/12/2018 | 26/11/2023 | $0.08 | 250,000 | - | - | - | 250,000 | 250,000 | 0 |
| 24/12/2018 | 24/12/2018 | 24/12/2023 | $0.08 | 550,000 | - | - | - | 550,000 | 550,000 | 0 |
| 27/11/2019 | 29/11/2019 | 29/11/2024 | $0.101 | 1,900,000 | - | - | - | 1,900,000 | 1,900,000 | 0 |
| 27/01/2021 | 15/02/2021 | 14/02/2026 | $0.175 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 0 |
| 29/01/2021 | 15/02/2021 | 14/02/2026 | $0.175 | 500,000 | - | - | - | 500,000 | 500,000 | 227 |
| 04/06/2021 | 29/06/2021 | 28/06/2026 | $0.175 | 725,000 | - | - | - | 725,000 | 725,000 | 2,544 |
| 05/10/2021 | 14/10/2021 | 13/10/2026 | $0.15 | 3,250,000 | - | - | - | 3,250,000 | 1,072,500 | 81,784 |
| Total | | | | 10,975,000 | - | - | - | 10,975,000 | 8,797,500 | 84,555 |
| Weighted average issue price | | | | $0.124 | | | | $0.124 | $0.118 | |
| Weighted average remaining contractual life (years) | | | | | | | | 3.74 | | |

There were no loan shares issued during the financial year.

During the year the loan expiry dates for 2,800,000 fully vested loan funded shares, issued on 19 February 2018, were extended to 18 February 2028. There was no additional share based payment expense recognised in relation to the extension of the expiry period.

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

| Grant date | Issue date | Loan expiry date | Issue price | Balance at 30 June 2021 Number | Issued during the period Number | Sold during the period Number | Forfeited during the period Number | Balance at 30 June 2022 Number | Vested at end of the period Number | Share-based payments expense for 2022 $ |
|---|---|---|---|---|---|---|---|---|---|---|
| 28/11/2017 | 19/02/2018 | 27/11/2022 | $0.06 | 1,200,000 | - | - | - | 1,200,000 | 1,200,000 | 0 |
| 30/01/2018 | 19/02/2018 | 18/02/2023 | $0.10 | 1,600,000 | - | - | - | 1,600,000 | 1,600,000 | 0 |
| 26/11/2018 | 24/12/2018 | 26/11/2023 | $0.08 | 250,000 | - | - | - | 250,000 | 250,000 | 0 |
| 24/12/2018 | 24/12/2018 | 24/12/2023 | $0.08 | 550,000 | - | - | - | 550,000 | 550,000 | 0 |
| 27/11/2019 | 29/11/2019 | 29/11/2024 | $0.101 | 5,400,000 | - | 250,000 | 3,250,000 | 1,900,000 | 1,900,000 | 0 |
| 27/01/2021 | 15/02/2021 | 14/02/2026 | $0.175 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 0 |
| 29/01/2021 | 15/02/2021 | 14/02/2026 | $0.175 | 500,000 | - | - | - | 500,000 | 375,000 | 14,456 |
| 04/06/2021 | 29/06/2021 | 28/06/2026 | $0.175 | 725,000 | - | - | - | 725,000 | 543,750 | 25,451 |
| 05/10/2021 | 14/10/2021 | 13/10/2026 | $0.15 | - | 3,250,000 | - | - | 3,250,000 | 682,500 | 155,408 |
| Total | | | | 11,225,000 | 3,250,000 | 250,000 | 3,250,000 | 10,975,000 | 8,101,250 | 195,315 |
| Weighted average issue price | | | | $0.114 | | | | $0.124 | $0.114 | |
| Weighted average remaining contractual life (years) | | | | | | | | 3.68 | | |

For the loan funded shares issued during the 2022 financial year, the valuation model inputs used to determine the fair value at each vesting date, were as follows:

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

**Options issued to Directors, executives and employees**

**Employee Incentive Plan – Options**

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

As at 30 June 2023 the following options had been granted:

| Option grant date | Option expiry date | Exercise price | Balance at 30 June 2022 Number | Issued during the period Number | Exercised during the period Number | Expired or forfeited during the period Number | Balance at 30 June 2023 Number | Vested and exercisable at end of the period Number | Share-based payments expenses for 2023 $ |
|---|---|---|---|---|---|---|---|---|---|
| 8/12/2021 | 01/07/2026 | $0.15 | 10,550,000 | - | - | - | 10,550,000 | 3,481,500 | 326,361 |
| Weighted average exercise price | | | $0.15 | | | | $0.15 | $0.15 | |
| Weighted average remaining contract life (years) | | | | | | | 3.0 | | |

There were no options issued during the financial year.

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

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

| Option grant date | Option expiry date | Exercise price | Balance at 30 June 2021 Number | Issued during the period Number | Exercised during the period Number | Expired or forfeited during the period Number | Balance at 30 June 2022 Number | Vested and exercisable at end of the period Number | Share-based payments expenses for 2022 $ |
|---|---|---|---|---|---|---|---|---|---|
| 8/12/2021 | 01/07/2026 | $0.15 | - | 10,550,000 | - | - | 10,550,000 | 2,215,500 | 525,577 |
| Weighted average exercise price | | | | | | | $0.15 | $0.15 | |
| Weighted average remaining contract life (years) | | | | | | | 4.0 | | |

For the options issued during the 2022 financial year, the valuation model inputs used by the independent valuer were as follows:

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

# Note 26. Segment information

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

*Geographical information*

| | Sales to external customers | | Geographical non-current assets | |
|---|---|---|---|---|
| | June 2023 $ | June 2022 $ | June 2023 $ | June 2022 $ |
| Australia | 6,300,034 | 5,616,734 | 8,421,005 | 9,038,842 |
| United States | 1,759,392 | 1,486,950 | - | - |
| New Zealand | 675,816 | 712,369 | - | - |
| Europe | 635,963 | 482,858 | - | - |
| Asia | 380,038 | 341,397 | - | - |
| Rest of World | 196,616 | 276,687 | - | - |
| | 9,947,859 | 8,916,995 | 8,421,005 | 9,038,842 |

*Concentration of key customers*

The concentration of customers for the 2023 year was as follows:

- A major customer in Australia and New Zealand in the finance sector represented 17.1% of operating revenue
- A major customer in Australia in the telecommunications sector represented 10.4% of operating revenue

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

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

## Note 27. Loss per share

| | Consolidated | |
|---|---|---|
| | 2023 $ | 2022 $ |
| Loss after income tax attributable to the owners the parent | (2,247,137) | (3,078,295) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | 216,138,698 | 214,041,202 |

| | Cents | Cents |
|---|---|---|
| Basic loss per share | (1.04) | (1.44) |

The 10,550,000 (2022: 10,550,000) options issued could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted loss per share because they are anti-dilutive for the periods presented.

# Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Hon. Alan Stockdale AO
Director

28 August 2023
Melbourne

# Independent Auditor's Report

William Buck
ACCOUNTANTS & ADVISORS

# Knosys Limited
## Independent auditor's report to members

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### Opinion

We have audited the financial report of Knosys Limited (the Company and its subsidiaries (the consolidated entity)), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity, 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 2023 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 consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Level 20, 181 William Street, Melbourne VIC 3000
+61 3 9824 8555
vic.info@williambuck.com
williambuck.com

WilliamBuck
ACCOUNTANTS & ADVISORS

## 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.

| RECOGNITION OF REVENUE UNDER SERVICE CONTRACTS | |
|---|---|
| **Area of focus**<br>**Refer also to notes 1, 3 and 14** | **How our audit addressed it** |
| The consolidated entity has service contracts with its customers. These service contracts have invoicing, and payment milestones included within their terms, which may or may not be directly aligned with the performance of services under the contract in accordance with *AASB 15 Revenue from Contracts with Customers* ('AASB 15').<br><br>In order to accrue revenue appropriately in the correct accounting period, management has developed a model to recognise revenue when the performance obligation is satisfied in each contract. This includes identifying the specific performance obligations within each customer agreement on commencement.<br><br>There is judgement in determining the period to which the revenue should be attributed. In applying its revenue model management has considered:<br>— Compliance with AASB 15 – Revenue from contracts with customers;<br>— When the performance obligation is identified and satisfied in respect to each component of each contract; and<br>— The potential for any post-contract servicing work to be performed at the conclusion of the contract and whether an additional performance obligation exists.<br><br>This area was considered a Key Audit Matter due to judgements involved and the significance of the revenue amount. | Our audit procedures included:<br>— Examining management's revenue recognition model to assess if in compliance with AASB 15;<br>— Examining and verifying a sample of customer contracts for the achievement of performance milestones relevant to key customer contracts;<br>— Examining a sample of customer contracts to support the existence and completeness of revenue recognised in the period by agreeing to contract, invoices and subsequent receipts from their customers; and<br>— Performing detailed cut-off testing to assess if revenue transactions at the year-end had been recorded in the correct financial period.<br><br>We also assessed the appropriateness of financial statement disclosures at note 3 with respect to the requirements of AASB 15. |

| IMPAIRMENT OF NON-CURRENT ASSETS INCLUDING GOODWILL AND INTANGIBLE ASSETS | |
|---|---|
| **Area of focus**<br>**Refer also to notes 1 and 8** | **How our audit addressed it** |
| As disclosed in Note 8, the carrying value of the Group's goodwill and intangible assets was $8.2 million. This amount is reflective of the acquisitions of the GreenOrbit Group and Libero Group completed in prior financial periods.<br><br>As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that its non-current assets may be impaired. In addition, goodwill and indefinite life intangibles are tested for impairment at least annually.<br><br>The consolidated entity continues to operate as a single Cash Generating Unit ("CGU") being a developer and licensor of computer software. Management has assessed that the activities of the acquired groups operate within this core activity segment.<br><br>The recoverable amount of the CGU has been calculated based on a value-in-use discounted cashflow model, that examines the expected discounted cashflows of its sole CGU over a five-year period extending from reporting date, plus a terminal value. The Group has disclosed in note 8 the Group's impairment approach including the significant underlying assumptions applied.<br><br>This area was considered a Key Audit Matter due to complexity of judgements involved in the impairment process and the significance of the carrying amounts of the balances. | Our audit procedures included:<br>— Assessing the appropriateness of the allocation of goodwill and intangible assets to the Group's identified CGU;<br>— An examination of the discounted cashflow model, testing for:<br>a. its arithmetical accuracy;<br>b. the reasonableness key assumptions applied to approved forecast cashflows, comparing to historical trends of the business and its pipeline of future sales transactions and the overall industry climate affecting the economics of the business model; and<br>c. the reasonableness of key inputs into the model, including growth rates, the discount rate and the working capital levels associated with the derivation of those growth rates.<br><br>— Assessed the Group's current year actual results in comparison to prior year forecasts to assess forecast accuracy;<br>— Assessed the discount rates through comparing the weighted average cost of capital for the Group with comparable businesses; and<br>— Performed sensitivity analysis in respect of the assumptions noted above to ascertain the extent of changes in those assumptions which either individually or collectively would materially impact the recoverable amount of the CGU. We assessed the likelihood of these changes in assumptions arising.<br><br>We also assessed the adequacy of disclosures in relation to the impairment testing approach and key assumptions as disclosed in note 8 of the financial report. |

## Other Information

The directors are responsible for the other information. The other information comprises the information in the consolidated entity's annual report for the year ended 30 June 2023 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.

## Responsibilities of the Directors for the Financial Report

The directors of the consolidated entity 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 consolidated entity 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 consolidated entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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

WilliamBuck
ACCOUNTANTS & ADVISORS

# Report on the Remuneration Report

## Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Knosys Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

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

William Buck

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

**R. P. Burt**
Director
Melbourne, 28 August 2023

# Additional information for listed companies

**Corporate Governance Statement**

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

**Shareholder information as at 9 August 2023**

| **Distribution of Shareholders** | Number | Number |
|---|---|---|
| Category (size of holding) | Holders | Ordinary Shares |
| above 0 up to and including 1,000 | 28 | 4,794 |
| above 1,000 up to and including 5,000 | 52 | 193,661 |
| above 5,000 up to and including 10,000 | 65 | 549,276 |
| above 10,000 up to and including 100,000 | 244 | 10,439,000 |
| above 100,000 | 202 | 204,951,967 |
| Totals | 591 | 216,138,698 |

The number of shareholdings held in less than marketable parcels is 109, with a total of 392,367 ordinary shares, amounting to 0.18% of issued capital.

**Substantial shareholders listed in the company's register:**

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

**Voting Rights**

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

Ordinary shares

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

| | 20 Largest Shareholders — Ordinary Shares<br><br>Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|---|
| 1 | SKIPTAN PTY LTD <P&M MEURS FAMILY A/C> | 41,263,715 | 19.09% |
| 2 | MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C> | 7,801,124 | 3.61% |
| 3 | MR SEAN PATRICK MARTIN <THE AVEBURY FAMILY A/C> | 7,300,270 | 3.38% |
| 4 | VABAKE PTY LTD <LEVY FAMILY A/C> | 7,066,130 | 3.27% |
| 5 | VUE-IT PTY LTD <PATANE FAMILY AC> | 6,896,551 | 3.19% |
| 6 | EARTHRISE HOLDINGS PTY LTD <CAMPION INVESTMENT A/C> | 6,635,000 | 3.07% |
| 7 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 5,800,935 | 2.68% |
| 8 | JET INVEST PTY LTD <RJC INVESTMENT A/C> | 5,595,144 | 2.59% |
| 9 | DMX Capital Partners Limited | 5,266,257 | 2.44% |
| 10 | TDF PROPERTIES PTY LTD <TDF PROPERTY A/C> | 4,388,509 | 2.03% |
| 11 | MAST FINANCIAL PTY LTD <A TO Z INVESTMENT A/C> | 4,000,000 | 1.85% |
| 12 | BJT903 PTY LTD <BJT903 SUPERANNUATION A/C> | 3,440,204 | 1.59% |
| 13 | HUNTINGDALE CAPITAL PTY LTD | 3,414,286 | 1.58% |
| 14 | TORRYBURN PTY LTD <TORRYBURN SUPER FUND A/C> | 3,280,875 | 1.52% |
| 15 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,638,792 | 1.22% |
| 16 | ADC (INVESTING) PTY LTD <AL COOK ASSET A/C> | 2,400,000 | 1.11% |
| 17 | JT MANAGEMENT CO PTY LTD <THE JAMES SUPER FUND A/C> | 2,200,000 | 1.02% |
| 18 | NATIONAL NOMINEES LIMITED | 2,156,867 | 1.00% |
| 19 | GALE ENTERPRISES (AUST) PTY LTD <CAVALIER FAMILY A/C> | 2,080,889 | 0.96% |
| 20 | JOHN ROBERT THOMPSON | 2,075,000 | 0.96% |
| | Total | 125,700,548 | 58.16% |
| | Total issued capital – selected security class(es) | 216,138,698 | 100.00% |

**Registers of securities are held at the following address:**

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

**Securities Exchange Listing**

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

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

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

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

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knosys

## Contact Details


Level 8, 31 Queen Street, Melbourne, Victoria, 3000

www.knosys.co

www.knoiq.com

www.greenorbit.com

www.libero.com.au