

A nighttime photograph of a street intersection. The scene is dark, with light trails from vehicles and streetlights creating streaks of red, blue, and white light across the frame. A traffic light structure is visible in the middle ground, and a building is partially lit on the left. The overall mood is futuristic and dynamic.

Tech:niche.

Annual Report 2021

Techniche Limited & Controlled Entities

ABN 83 010 506 162

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ABOUT TECHNICHE

Techniche is a niche global technology company with a core purpose to simplify how customers monitor, maintain, analyse, & optimize the operational & financial performance of their business-critical assets.

OUR PRODUCTS

Our innovative product solutions, Urgent and Statseeker are highly scalable enterprise grade products that have led the way in monitoring and maintaining the critical operational assets of leading companies and government organisations across the globe for more than 20 years.

We are leveraging the underlying capabilities of our products by developing specific modules & solutions to address defined market problems.

We also see an opportunity to develop & sell a solution that converge the Urgent and Statseeker capabilities to primarily manage IP-enabled operational assets (IoT) in a networked environment. The solution is wrapped around 4 components, known internally as ADAPTS.

OUR CULTURE

We are building a team culture consistent with our Core Values.

- An open-minded team who proactively approaches all challenges with integrity and balance,
- Who build more than software - we create experiences that customers love,
- Who constantly ask ourselves is there a better way - we explore, we learn, we adjust,
- Who understand that our critical assets start with our people.

OUR CUSTOMERS INCLUDE...



OUR STRENGTHS

We are a lean company with nimble teams who sell and deploy our products globally. Our products are scalable, enterprise grade, with modules designed for specific market needs. We are flexible to meet our customer's needs, whether they are large enterprises, or small operators.

OUR CAPABILITIES

We have highly skilled product teams delivering our innovative solutions. We are focused on enhancing our products to make them easier to buy, simple to use, while using AI and machine learning to provide valuable insights.

OUR COVERAGE

Our technology solutions manage and monitor critical operational and IT infrastructure assets across tens of thousands of sites worldwide and are trusted by private, Fortune 500 and S&P 500 companies and G20 governments around the world. We have a global company with teams located in Australia, North America, United Kingdom and Europe.

INDUSTRIES

We have amazing customers in many verticals including:

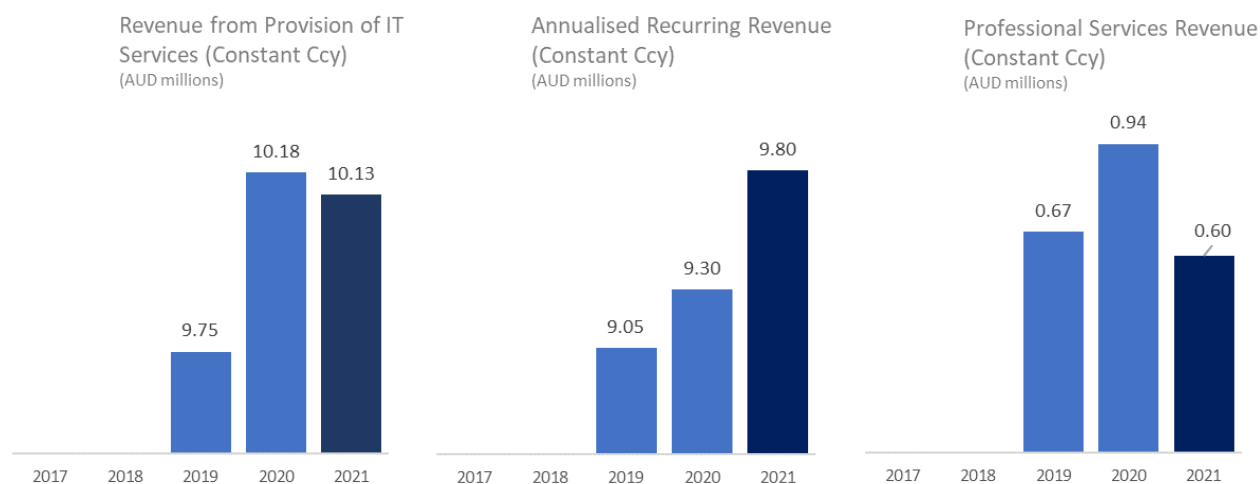
- Fuel retail
- General retail
- Healthcare
- Education
- Government
- Telecommunications

FINANCIAL HIGHLIGHTS

FIVE YEAR SUMMARY

All figures are in AUD '000s unless stated otherwise	2021	2020	2019	2018	2017
Revenue from Provision of IT Services	10,130	10,633	9,804	6,417	7,422
Revenue from Provision of IT Services (constant currency) ^{(i), (ii)}	10,130	10,184	9,748	n/a	n/a
Annual Recurring Revenues (constant currency) ^{(i), (ii)}	9,800	9,298	9,049	n/a	n/a
Professional Services Revenue (constant currency) ^{(i), (ii)}	600	941	672	n/a	n/a
Gross Profit Margin ⁽ⁱⁱⁱ⁾	76.4%	75.5%	70.9%	n/a	n/a
Cost of Revenue	2,390	2,602	2,850	1,142	497
Operating Expenses	6,462	6,490	6,973	7,124	5,083
Head Office & Corporate Expenses	1,372	1,095	1,133	1,191	990
Income Tax Expense (Benefit)	(13)	46	162	(349)	273
Profit / (Loss) After Tax	(83)	571	(1,250)	(3,496)	856
Return on Equity	(0.7%)	4.9%	(9.3%)	(4.5%)	5%
Cash and Cash Equivalents	2,590	4,469	2,356	3,116	4,132
Net Tangible Assets	(248)	(501)	(1,286)	195	10,546
Net Assets	11,807	11,657	11,182	12,828	16,014

- (i) Metrics in constant currency represent measures of current operations in current year exchange rates.
(ii) Periods prior to 2019 includes discontinued operations and have not been included.



CEO'S REVIEW

At our last AGM we presented our view on the best option to provide a realisable return to our shareholders. Internally we have set growth target for 2025, with a goal to realise an exit for all shareholders. We believe a healthy valuation can be achieved, based on multiples of ARR (Annual Recurring Revenue) underpinned by a growing base of quality customers.

Our focus therefore remains:

- **To achieve and maintain 20%+ compound ARR growth, with a target ARR of \$20m+**
- **Maintain a positive EBITDA, with a comfortable working capital balance.**
- **Reinvesting cash from profits into business growth, primarily product roadmap delivery across our core products, and sales & marketing.**

2021 REVIEW

- **ARR grew 5.4% (on a constant currency basis)**
- **Won a major fuel retailer in Asia**
- **Secured a reseller agreement with Dover Fueling Solutions**
- **Increased our Urgent footprint in North America**
- **Won an order with one of Canada's leading broadband wireless service providers**

I am pleased to advise that total ARR grew by 5.4% (on a constant currency basis), with Urgent ARR up 5.2% and Statseeker up 5.6%.

Focused account management & digital lead generation strategies for our Statseeker business provided the basis to post a net gain in ARR and customer numbers for the year. We have weathered the COVID business environment reasonably well across the company but we did experience customer losses in Statseeker to the extent of \$178k in H1 & \$42k in H2 which we directly attribute to COVID impact in our customer base. Thus, ending the year with a net increase in ARR and customer numbers is a pleasing result.

Urgent had an increase in ARR, from new customers and increased usage from current customers. What was particularly pleasing was growing our North American footprint and winning our first major fuel retailer in Asia.

As a supplier to part to one of America's fastest growing, independent suppliers and marketers of fuel and petroleum products and a leading convenience store operators, we re-tendered and won the rollout of Urgent to their total footprint.

Some other highlights from the year include:

We secured a reseller agreement with Dover Fueling Solutions (DFS) to market, sell and distribute our asset maintenance management and compliance software solutions to customers worldwide in combination with the recently launched DFS DX Connected Solutions Platform. <https://urgent.technicgroup.com/dover-fueling-solutions-reseller-agreement-techniche/>.

We have modularised the Urgent product. We have developed 3 standalone Urgent modules for market evaluation.

- Compliance module
- Asset management module
- Workorder module

We have won an order with one of Canada's leading broadband wireless service providers to develop Statseeker to poll their CPE (Customer premise equipment) devices. This could develop into a key new vertical market segment for Techniche.

We have signed an MOU and developed a POC module with global leader in security screening products to monitor and gather data from specific security assets.

We continue to invest in product & sales with the following key appointments - James Wells Head of Product for Statseeker, David Cornish Head of Product for Urgent, Nathan Noall Head of Engineering for Urgent, Steve Brady who is Head of Sales Globally, and Karim Alvizo, who is our digital marketing whiz.

OUTLOOK

- **Targeting continued AAR growth in line with our goal of 20%+ growth by 2023**
- **Digital campaigns delivering consistent leads, pipeline the best it has been**
- **Dover partnership expected to support our growth targets**
- **Leveraging our current products – developing new modules & solutions**
- **Growing the capability of our team**

We have set an aggressive growth target for this FY which if achieved, will set the foundations for us to be able to deliver 20%+ growth in ARR in 2022-23. Following are some of the initiatives to deliver on our ARR target.

Statseeker, is a highly scalable network monitoring and management tool. Sector agnostic, it's used by our customers to monitor collectively more than 65 million interfaces globally, every 60 seconds. It's fast and flexible, delivering real-time results from a minimal server footprint and can monitor networks of any size, collecting network data and health metrics. Customers include Walmart, CVS Pharmacy's, Coles Supermarkets, Fedex, and Boeing.

Statseeker sales team is made up of Regionally based Account Managers and pre-sales engineers. Account Managers are responsible for growing current accounts as well securing new accounts. Lead generation is primarily via digital marketing – adword campaigns, blogs, web content etc.

As we commence this financial year our Statseeker pipeline is the best it has been. This is a result of a backlog of opportunities, as well some specific deals that are close to completion, that will support our sales target.

As well, we have several emerging longer-term opportunities:

- **Wireless Internet Service Providers (WISPs) – Polling CPE (Customer premise equipment) devices.** Once this development is complete, we will have a unique solution that will allow us to market to other WISPs globally.
- **Monitoring Security Screening Products –** we are currently gathering data from one asset type, and one site. We expect to develop modules for a range of asset types, all of which have global application.
- **In Store Device Monitoring –** we have some initial enquiries from one of our large retail clients to use Statseeker to monitor devices, such POS, fridges, etc in the store.

Urgent is the only complete maintenance management solution designed for, and used by, major fuel and convenience retailers globally. It has led the way in automated maintenance management for more than 20 years and is trusted to manage more than 40,000 sites across 29 countries. It helps our customers reduce asset downtime, monitor costs, and keep contractors accountable across every location, with everything they need to improve efficiency and optimize the performance of their critical assets.

Most of our customers are fuel & convenience retailers including BP, Ampol, Shell, Q8 & Parkland. We also have several customers in aged & assisted care.

The Urgent sales team is made up of account management, direct sales, & channel management, and we have a focus on growing our US team. We also have a customer success team, which includes professional services & product support capability.

We believe that Urgent is a key cornerstone to our overall growth strategy and have set a very aggressive sale target for this year. As with Statseeker, our pipeline is the best it has been, with a range of opportunities across Europe, Africa, Asia & the North America.

The DFS reseller agreement is a significant opportunity for Urgent globally. DFS are selling our asset maintenance management and compliance software solutions to their customers worldwide as part of their DX Connected Solutions Platform. DFS have an extensive global sales team and we are expecting to see some significant revenue opportunities this year.

We have also signed a Reseller agreement with a South African company to sell the Urgent enterprise module in southern Africa.

We also have a range of product enhancements that may develop into longer-term opportunities.

- EV Charging module – We are in discussions with several of our enterprise customers regarding the emerging requirement to maintain their EV charging assets. We consider this a significant market opportunity with our product, relationships, and the work we have been doing with asset monitoring putting us in a strong position.
- Compliance management module – We have developed a stand-alone compliance module and have finalised an agreement with Antea Group, an international engineering and environmental consulting firm, to provide industry & region-specific compliance guidelines to be included with our product.
- We are redeveloping our App & Asset Data management to allow on site asset identification, specific asset data collection, geolocation of assets, and conducting asset & site surveys.
- We are enhancing our Service Level module by introducing new functionality to make the platform more flexible.

We have continued to invest in the development of this product and now have a number of paying customer. ADAPTS stands for Asset Discovery - what IP-enabled assets are on the network, Asset Availability - are the assets available and working, Asset Performance - are my assets performing as planned and Tailored Surveillance - which assets are posing a risk to the network and converges the Urgent and Statseeker capabilities to primarily manage IP-enabled operational assets (IoT) in a networked environment.

The initial uptake for this product has been with several US health care clinics that require visibility of their underlying infrastructure and critical assets for compliance purposes. Custom reports have been developed and can be run daily or weekly.

While all our installed regions of BP operate on our current Urgent product, we are planning for BP USA to transition from our old legacy version that was highly configured to suit their operations to an alternate solution. Techniche will compete to continue to serve BP USA but we understand that their intentions are to move away from our solution. While this will have a \$700k hit on our ARR, no longer having to support BP USA will allow us to focus on enhancing & selling the current version of Urgent, which is our future.

I would also like brief you on the team that we are developing within your company. As well as the key appointments that I mentioned earlier, we are working on building a stronger and more agile culture and getting clearer alignment between our company purpose and the roles of each team member.

The Board adds significant value as we shape the new Techniche. They remain clear on our overall objective, and hold both myself, and other team members to account.

FINANCIAL COMMENTARY

Revenue Growth

Techniche currently generates revenues from our two products, Urgent and Statseeker.

Urgent's recognised recurring revenues increased by 3.1%. The global COVID-19 pandemic resulted in the cancellation of trade shows and was generally a difficult environment to acquire new business. In particular, demand for professional services was curtailed for most of the first half but recovered during the remainder of the year to be down 33.8%. However, Annualised Recurring Revenues (ARR) proved to be more resilient and increased by 5.2% on a constant currency basis.

Statseeker's recognised recurring revenues decreased by 4.8%, however most of this movement was due to the depreciation of the AUD against the USD. On a constant currency the fall was limited to 0.7% with good customer growth in the second half offset by full year impact of customer churn from the prior year and early in the first half. ARR increased by 5.6% on a constant currency basis and reversed a trend of annual declines in prior years.

<i>Twelve months to 30 June</i>	2021	2020	change
Total Revenues			
Urgent			
Subscription and other recurring revenues	4,961,374	4,810,306	3.1%
Professional services and other non-recurring revenues	590,224	891,488	(33.8%)
Statseeker			
Subscription and other recurring revenues	4,557,375	4,783,798	(4.8%)
Professional services and other non-recurring revenues	21,006	147,430	(86.1%)
Total Group Revenues			
Subscription and other recurring revenues	9,518,749	9,594,104	(0.8%)
Professional services and other non-recurring revenues	611,230	1,038,918	(41.2%)
Total revenue from IT services	10,129,979	10,633,022	(4.7%)
Annualised Recurring Revenues (Constant Currency¹)			
Urgent	5,020,166	4,773,049	5.2%
Statseeker	4,780,241	4,525,419	5.6%
Total ARR	9,800,408	9,298,469	5.4%

1. Constant currency measured at average FY2021 exchange rates in USD, GBP, EUR & NZD

FINANCIAL COMMENTARY (CONTINUED)

Gross Profit

Gross profit decreased by 3.6% during the year despite a 0.9% improvement in the gross margin. Efficiency gains in the customer support division were offset by the 4.7% decrease in total revenues.

<i>Twelve months to 30 June</i>	2021	2020	change
Total revenue from IT services	10,129,979	10,633,022	(4.7%)
Cost of sales	2,390,077	2,602,068	(8.1%)
Gross profit	7,739,902	8,030,955	(3.6%)
Gross margin (%)	76.4%	75.5%	0.9%

Gross profit represents operating revenue less cost of sales. Cost of sales consists of expenses directly associated with securely hosting Techniche's services and providing support to subscribers. The costs include hosting, personnel and related expenses directly associated with cloud infrastructure and customer support, related depreciation and amortisation and allocated overheads.

Business performance – Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA was impacted by the decrease in gross profit and an increase in operating expenses as the group continues to invest in sales, marketing and product development.

<i>Twelve months to 30 June</i>	2021	2020	change
Net profit/(loss) before tax	(96,489)	616,927	(115.6%)
Add back: Interest	18,049	28,968	
Add back: Depreciation	324,474	331,039	
Add back: Amortisation	258,125	260,488	
Earnings Before interest, tax, depreciation & amortisation	504,090	1,237,422	(59.3%)
<i>EBITDA margin</i>	<i>5.0%</i>	<i>11.6%</i>	

EBITDA disclosures (which are non-GAAP financial measures) have been included, as we believe they provide useful information for readers in understanding Techniche's financial performance. EBITDA is calculated by adding back depreciation, amortisation, net finance expense, and income tax expense to net profit/loss.

FINANCIAL COMMENTARY (CONTINUED)

Expenses

Techniche presents Group expenses according to their functional categories of “Sales and Marketing”, “Research and Development” and “General and administration”.

Sales and Marketing

Sales and marketing expenses consist of personnel and related expenses directly associated with the sales and marketing teams. Costs also include relationship management costs incurred to support the existing subscriber base. Other costs included are external advertising costs, marketing costs and promotional events, as well as allocated overheads.

<i>Twelve months to 30 June</i>	2021	2020	change
Sales and marketing expense	2,454,577	2,397,608	2.4%
Percentage of operating revenue	24.2%	22.5%	1.7%

Despite the unfavourable operating environment, the company made selective appointments to the sales and marketing teams. These included the appointment of a global head of sales and a specialist in digital marketing. Improvements in this area demonstrated an increase in lead which resulted in an upturn in new business in the second half and a robust pipeline of new leads.

Research and Development

Research and Development costs consist of personnel and related expenses directly associated with the product design, development and quality assurance as well as allocated overheads. Where software development costs meet the requirements to be capitalised as an intangible asset, it will be subsequently amortised over the useful life of the asset created. The amount amortised is included in research and development expenses.

<i>Twelve months to 30 June</i>	2021	2020	change
Research and development expense (excl. amortisation)	2,940,628	2,803,671	4.9%
Amortisation	257,998	257,998	0.0%
Research and development expense	3,198,626	3,061,669	4.5%
Percentage of operating revenue	31.6%	28.8%	2.8%

Research & Development expenses were higher in overall terms and as a percentage of revenue as the company invested in additional development resources in both Urgent and Statseeker products. Key projects during the year included a rebuild of the Urgent API and the Statseeker simulator.

FINANCIAL COMMENTARY (CONTINUED)

General and Administration

General and administration expenses consist of personnel and related expenses for executive, finance and administrative employees and the Techniche Board. It also includes costs associated with being a public company, legal, accounting and other professional services fees, insurance premiums, other corporate expenses and allocated overheads.

<i>Twelve months to 30 June</i>	2021	2020	change
General and administration expense	2,181,224	2,126,309	2.6%
Percentage of operating revenue	21.5%	20%	1.5%

General and administration costs were 2.6% higher as the costs incurred costs associated with the delisting from the ASX. The delisting is expected to result in annual cost savings of at least \$100k.

COVID-19

Techniche has not experienced any material deterioration in its' core customer base due to COVID-19, however it has limited our ability to deliver services and grow revenues. These included the inability to visit customer and prospects being impacted by COVID-19 and a restriction of other sales and marketing initiatives such as the ability to attend a range of trade shows. Customers have also taken a cautious approach to professional services which has been reflected in the results.

Most staff continue to work from home and Techniche has not required government assistance in support of staff employment. We have been actively working with our customers to assist them wherever possible and to monitor the potential for risk to our revenue base.

Techniche continues to show no deterioration in receivables, we have no external debt, adequate cash reserves and are well positioned should there be a further deterioration in economic conditions.

DIRECTORS' PROFILES

KARL JACOBY

GradDip Mgt, FAICD

Executive Chairman

Karl is an active technology and property investor and previously has had exposure to a range of industry sectors and businesses. Currently Karl is the Executive Chairman, and the largest shareholder of Techniche. During his time as MD, Techniche grew from a Tasmanian based IT services company to a global IT company with operations in the 3 key geographies of Europe (UK and Germany), US and Australasia. Karl has a Graduate Diploma in Management, is a Fellow of the Australian Institute of Company Directors and was a long-standing member of The Executive Connection.

ANDREW CAMPBELL

BSc(Hons), MBA, MACS (Snr)

Non-Executive Director

Andrew has a career in building growth software and technology businesses, as a general manager, CTO, business development and in other executive and advisory roles. This includes hands on roles responsible for leading and executing strategies for corporate, R&D, product management, investment and business development and governance. He has developed and delivered substantial product and business growth across major regions including as global CTO for Saville Systems (NASDAQ:SAVLY). Andrew currently works with a range of technology entrepreneurs and investors to establish and build successful technology companies in emerging application areas.

ANASTASIA ELLERBY

BBus, MBA

Non-Executive Director

Anastasia is an entrepreneur who is recognised globally for her expertise in HR technology. Anastasia was one of the founders of Infohrm, a Brisbane based HR Software company. Inform grew from its Brisbane base to become a recognised global leader in Workforce planning and analytics software with Fortune 500 customers across USA, Europe and Asia. In 2010 Inform was acquired by Success Factors and subsequently German based software company SAP. During her 21-year tenure Anastasia led the growth and development of the firm, with a focus on Product Management and Customer Service. Anastasia is a graduate of business from Griffith University and Bond University where she received her MBA with Distinction. Anastasia is an active member in a number of community organisations, has served on boards for tech start up's and educational facilities.

DIRECTORS' PROFILES (CONTINUED)

MARK GILL

BE(Hons), FAICD

Non-Executive Director

Mark is one of the three founders of Brisbane Venture Capital Fund Manager, Talu Ventures. He has almost 30 years of experience in the technology sector including ten years in venture capital investing, with a strong background in hardware and software engineering. Mark oversees all aspects of Talu's IT and Telecommunication investments.

Prior to venture investing, Mark spent 16 years in various General Management, Chief Executive, and Global Sales/Marketing roles with a central theme of building organizations to deliver technologies to the global market. With experience developing, commercializing and selling complex systems in more than 30 countries, Mark has confronted the plethora of challenges facing entrepreneurs and managers in the technology sector, including operations and capital raising.

Mark has twice been CEO of growing Australian technology companies that have successfully completed trade sales to multinational organisations. In between those two Mark lived and worked in the USA running global sales for a fast growing telecom software company. Mark is a Fellow of the Australian Institute of Company Directors.

LEADERSHIP GROUP

KARL JACOBY – CHIEF EXECUTIVE OFFICER.

DAVID WILSON – CHIEF FINANCIAL OFFICER.

David has more than 30 years' experience in the finance and investment industries. Prior roles included senior executive positions with a range of international and domestic banking institutions where he has managed teams of finance professionals and implemented business systems and improvement initiatives. He held the role as the Techniche Group Financial Controller from 2014 until 2018 when he was promoted to the role of Chief Financial Officer.

THOMAS CALDWELL – CHIEF TECHNOLOGY OFFICER.

Tom was appointed as CTO in April 2019. Tom has a master's degree in computer science and is a seasoned networking and software industry executive. He has a track record of innovation and business development in areas such as distributed cloud computing architectures, artificial intelligence, machine learning and large-scale SaaS software services.

STEVE BRADY – GLOBAL HEAD OF SALES.

Steve was appointed in December 2020 and leads the sales teams in the Americas, EMEA, and APAC across both Statseeker and Urgent products. Steve brings more than 30 years' sales and marketing leadership experience to Techniche. In previous roles, Steve has managed teams that supported in excess of \$30 billion in annual sales revenue. He combines his passion for and experience of working with the fuel and convenience retailing sector with a deep understanding of what is required to deliver customer success.

PAUL DJURIC – HEAD OF CUSTOMER SUCCESS.

Experienced executive and technology professional with 15 years' experience in developing and delivering enterprise-scale software solutions to the facilities management sector. Combining cross-industry experience of IT application/infrastructure, with best practice and cross change management, Paul is responsible for the global team that delivers exceptional customer experience and services across the Techniche technology solutions.

JAMES WELLS – HEAD OF PRODUCT – STATSEEKER.

James has over 18 years' experience in the network management and monitoring industry and brings to Techniche a wealth of skill and knowledge gained whilst working for large telecommunications and banking organisations as an integrator and consultant. Based in Brisbane, James has been responsible for managing all business operations in the APAC region and recently been appointed to his current position to ensure the Statseeker product and future vision delivers on the expectations of current and future customers.

DAVID CORNISH – HEAD OF PRODUCT – URGENT.

David brings a wealth of technology and electronics expertise to Techniche, having gained more than 20 years' experience developing hardware and software across multiple sectors. David joined the company in 2010 and played a central role in the redesign and development of the Urgent platform. As Head of R&D, David led a multi-talented product engineering and QA team for four years before transitioning to his current position as Head of the Urgent Product.

TECHNICHE LIMITED

AND CONTROLLED ENTITIES

ABN 83 010 506 162

FINANCIAL REPORT 2021

DIRECTORS' REPORT

The directors of Techniche Limited submit herewith the annual report of Techniche Limited ('the Company') and its controlled entities ('the Group') for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

PRINCIPAL ACTIVITIES

The principal activity of the Group is to deliver software solutions to a global market. Our focus is to create (build, buy or partner) a platform of applications that address the convergence of operational assets (OT) and technology assets (IT), particularly in light industry, where asset reliability and availability is critical. We aim to take advantage of our customer relationships and market reach in the 3 regions of EMEA (Europe, Middle East, Africa), APAC (Asia Pacific), and the Americas.

OPERATING RESULTS

The consolidated profit/(loss) of the Group after providing for income tax amounted to (\$83,348) [2020: \$571,006].

REVIEW OF OPERATIONS

The Company recorded its second full year of operations as a global software business. Each of the operating regions in APAC, EMEA and the Americas is focused on selling both Urgent and Statseeker products.

The Company has continued to actively manage our existing customers to ensure we fully understand their needs and to maximise the opportunity from these customers. This strategy has assisted to ensure we maintain a high level of customer retention.

Building brand presence has been a focus as the Company invests in upgraded digital marketing and website content.

DIVIDEND

No dividend has been declared in respect of the year ended 30 June 2021.

FINANCIAL POSITION

Net assets of the Group have increased by \$149,957 from \$11,656,645 in 2020 to \$11,806,602 in 2021. The positive movement in net assets was primarily due to an appreciation in the GBP value of intangible assets associated with the Urgent product. This was partly offset by a small consolidated loss after tax.

Cash balances have decreased to \$2,590,355 [2020: \$4,468,562].

DIRECTORS' REPORT

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

As referenced in earlier commentary, it is the continued opinion of directors that the current share price does not reflect the true value of the underlying technologies that we own, or the markets that we operate in, or the quality of customers that we deal with regularly.

Our focus for the future is to create (build, buy or partner) a platform of applications that address the convergence of operational assets (OT) and technology assets (IT), particularly in light industry, where asset reliability and availability is critical. The development of our new converged product offering (ADAPTS) will continue through the alpha trial process and we expect to provide further updates as appropriate. We have an exceptional customer base and aim to maximise these relationships and the market reach in the 3 regions of EMEA (Europe, Middle East, Africa), APAC (Asia Pacific), and the Americas.

This will mean a continued investment in our product suite, a more focused approach to marketing and developing our people. The COVID-19 pandemic has to date had little impact on our business but remains an area of risk. We have a good base of recurring revenues and solid cash reserves and are well positioned if there is any deterioration in the markets we operate.

For shareholders, we are focused on developing opportunities to provide a better than satisfactory return in the future.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the 2021 financial year.

AFTER BALANCE DATE EVENTS

There are no matters or circumstances that have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial periods.

ENVIRONMENTAL ISSUES

The Group's operations are not currently subject to significant environmental regulation under the law of the Commonwealth and State.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Director	Qualifications and experience	Special responsibilities	Interest in shares at 30 June 2021
KARL JACOBY (Executive Chairman) Grad Dip Bus Admin, FAICD	Karl is an active business, property and angel investor. Karl has a Graduate Diploma in Management and is a Fellow of the Australian Institute of Company Directors.	Executive Director Karl was appointed Chairman on close of the 2012 AGM.	46,321,378 ordinary shares
ANDREW CAMPBELL BSc(Hons), MBA MACS (Snr)	Andrew has an extensive technology and investment background. Currently Andrew is engaged with development and investment in businesses within emerging technology/application spaces.	Non-executive Director Chair of Audit Committee. Member of Remuneration Committee.	3,281,309 ordinary shares
ANASTASIA ELLERBY BBUS, MBA	Anastasia is a graduate of business from Griffith University and Bond University where she received her MBA with Distinction. Anastasia is an active member in a number of community organisations, has served on boards for tech start up's and educational facilities.	Non-executive Director Chair of Remuneration Committee.	Nil ordinary shares
MARK GILL BE(HONS)	Mark is one of the three founders of Brisbane Venture Capital Fund Manager, Talu Ventures. He has almost 30 years of experience in the technology sector including ten years in venture capital investing, with a strong background in hardware and software engineering.	Non-executive Director Member of Audit Committee	Nil ordinary shares

All appointments were current for the reported year and through to the date of this report unless otherwise stated.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

During the financial year, 19 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' meeting		Audit committee		Remuneration & Nomination committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
KP Jacoby	14	14	-	-	-	-
A Campbell	14	14	3	3	2	2
A Ellerby	14	13	-	-	2	2
M Gill	14	14	3	3	-	-

DIRECTORS' REPORT

COMPANY SECRETARY

The following person held the position of company secretary during the entire financial year:

John Andrew Lemon

(BA, LLB (Hons), GDipAppFin (Finsia),
Grad.Dip.AppCorpGov,)

Mr Lemon is a professional consultant providing company secretary and director services.

INDEMNIFICATION OF OFFICERS

During the reporting period, the parent entity has paid premiums in respect of a contract insuring all the directors and officers of Techniche Limited and its wholly owned subsidiaries against claims, proceedings, liabilities and expenses incurred in their job as director or officer of the company or wholly owned subsidiary except where the liability arises out of conduct involving a wilful breach of duty or where the liabilities have been imposed by law or for any legal action or litigation outside the jurisdiction of the contract. The total amount of the insurance contract premium paid was \$77,001 [2020: \$66,072].

OPTIONS

At the date of this report, there were no unissued ordinary shares of Techniche Limited under option [2020: Nil].

The Directors' Report is signed in accordance with a resolution of the Directors.



K P Jacoby

Executive Chairman

Brisbane, 31 August 2021

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that no services outside the scope of the audit were provided by the Company's auditors.

There are no officers of the company who are former audit partners of PKF Brisbane Audit.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 21 of the Annual Report.

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

BRISBANE
31 AUGUST 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021	2020
		\$	\$
Revenue from IT Services	2	10,129,979	10,633,022
Cost of sales		(2,390,077)	(2,602,068)
Gross Profit		7,739,902	8,030,954
Foreign exchange gain / (loss)		(71,415)	88,164
Other income		87,500	112,363
Operating Expenses	3		
General and administration		(2,181,224)	(2,126,309)
Sales and marketing		(2,454,577)	(2,397,608)
Research and development		(3,198,626)	(3,061,669)
Total operating expenses		(7,834,427)	(7,585,586)
Operating profit / (loss) from ordinary activities		(78,440)	645,895
Interest income		787	1,040
Interest expense (includes interest on lease liabilities)		(18,835)	(30,008)
		(18,049)	(28,968)
Profit / (loss) before income tax		(96,489)	616,927
Income tax (expense) / benefit	6	13,140	(45,921)
Profit / (loss) for the year attributable to the members of the parent entity		(83,348)	571,006
Other comprehensive income			
Items that may be classified to profit and loss:			
Exchange differences arising on translation of foreign operations		272,305	(105,727)
Other comprehensive income / (loss) for the year		272,305	(105,727)
Total comprehensive income / (loss) attributable to members of the parent entity		188,957	465,279

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 30 June	2020 30 June
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	7	2,590,355	4,468,562
Trade and other receivables	8	2,330,483	2,093,872
Other current assets	9	216,799	179,597
Total current assets		5,137,637	6,742,031
Non-current assets			
Property, plant and equipment	10	81,490	121,553
Right-of-use assets	11	445,124	313,013
Intangible assets	12	12,054,715	12,157,530
Total non-current assets		12,581,329	12,592,096
Total assets		17,718,966	19,334,127
LIABILITIES			
Current liabilities			
Trade and other payables	14	759,998	1,138,254
Unearned income	17	4,269,322	5,877,202
Current tax liabilities	15	42,626	101,089
Short term provisions	16	306,011	204,443
Lease liabilities	11	197,523	214,337
Total current liabilities		5,575,479	7,535,325
Non-current liabilities			
Long term provisions	16	84,059	48,886
Lease liabilities	11	252,826	93,271
Total non-current liabilities		336,885	142,157
Total liabilities		5,912,364	7,677,482
NET ASSETS		11,806,602	11,656,645
Equity			
Issued capital	18	69,799,778	69,838,778
Reserves	19	616,249	343,945
Accumulated losses		(58,609,426)	(58,526,078)
TOTAL EQUITY		11,806,602	11,656,645

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Ordinary shares	Accumulated losses	FX translation reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2019	69,838,778	(59,097,084)	449,672	11,191,367
Profit attributable to members of the parent entity	-	571,006	-	571,006
Total other comprehensive income	-	-	(105,727)	(105,727)
Sub total	-	571,006	(105,727)	465,279
Share capital reduction – share buy-back	-	-	-	-
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2020	69,838,778	(58,526,078)	343,945	11,656,645
Profit attributable to members of the parent entity		(83,348)		(83,348)
Total other comprehensive income			272,305	272,305
Sub total		(83,348)	272,305	188,957
Share capital reduction – share buy-back	(39,000)			
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2021	69,799,778	(58,609,426)	616,249	11,806,602

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
		<u> </u>	<u> </u>
Cash flows from operating activities			
Receipts from customers		8,248,287	11,256,331
Payments to suppliers and employees		(9,867,073)	(9,009,830)
Other Income and interest received		88,287	113,403
Income tax refund / (paid)		(45,323)	61,429
Interest and other financing paid		(4,937)	(30,008)
Net cash provided by (used in) operating activities	21(b)	<u>(1,580,759)</u>	<u>2,391,325</u>
Cash flows from investing activities			
Purchase of plant and equipment		(49,540)	(29,849)
Net cash provided by (used in) investing activities		<u>(49,540)</u>	<u>(29,849)</u>
Cash flows from financing activities			
Consideration paid – share buy back		(39,000)	-
Repayment of lease liabilities		(260,846)	(257,313)
Net cash provided by (used in) financing activities		<u>(299,846)</u>	<u>(257,313)</u>
Net increase (decrease) in cash held		(1,930,144)	2,104,163
Effects of functional currency exchange rate changes		51,936	8,876
Cash at the beginning of the year		4,468,562	2,355,523
Cash at the end of the year	21(a)	<u><u>2,590,355</u></u>	<u><u>4,468,562</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

These consolidated financial statements and notes represent those of Techniche Limited (the "Company") and controlled entities (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity Techniche Limited have not been presented within the financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 31 August 2021 by the directors of the company

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general-purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

A. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 to the financial statements.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. the consideration transferred;
- ii. any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii. the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (*proportionate interest method*). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

B. INCOME TAX

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and

liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

The company and its wholly-owned Australian resident entities form a tax-consolidated Group and are taxed as a single entity. The head entity within the tax-consolidated Group is Techniche Limited. The members of the tax-consolidated Group are:

- Techniche Limited
- Techniche APAC Pty Ltd
- Techniche IP Services Pty Ltd
- Techniche Technologies Pty Ltd
- Network Monitoring Holdings Pty Ltd
- Urgent Technology Australasia Pty Ltd
- ERST International Pty Ltd

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the “separate taxpayer within group” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax consolidated Group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated Group in accordance with the arrangement.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. PLANT AND EQUIPMENT

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
<i>Plant and equipment</i>	<i>10% to 66.67%</i>

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in

the revaluation surplus relating to that asset are transferred to retained earnings.

D. FINANCIAL INSTRUMENTS

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified as 'at fair value through profit or loss' in which case the transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with

the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

E. IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*).

Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

F. INTANGIBLES (OTHER THAN GOODWILL)

Intellectual property rights

Intellectual property rights acquired as part of a business combination are recognised separately from goodwill. Intellectual property rights are considered to have an indefinite life and are not amortised; instead they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The intellectual property rights are carried at their fair value at the date of acquisition less impairment losses.

Software / Core Code

Software / core code either acquired or developed internally is only capitalised if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

after initial recognition, software / core code is carried at cost less accumulated amortisation and any accumulated impairment losses. Software / core code is amortised over the useful life of the software once it is available for use typically using the straight-line method. At least annually, an assessment is to be performed to ensure that both the amortisation period and amortisation method are still appropriate.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and

- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position.

These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed of.

H. EMPLOYEE BENEFITS

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

I. PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

J. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. REVENUE AND OTHER INCOME

Revenue is measured to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. As a result, the Group's revised accounting policy for revenue recognition is as follows:

- Software licence revenue is recognised on a straight-line basis over the period the software is available to the customer rather than the past practice of recognising when invoiced.
- Software customisation revenue is recognised on a straight-line basis over the period that the software is available to the customer and commencing from the time that the software has been delivered to the customer.
- Software installation / implementation project revenue are recognised as distinct performance obligations when delivered or where the contract results in services that have an "alternative use" and a "right to payment". For project revenues that have no "alternative use" but a "right to payment" exists a percentage completion basis will be applied.

All revenue is stated net of the amount of goods and services tax (GST).

L. 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.

M. LEASES

Right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position unless the leases are short-term or leases of low value assets.

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 payments 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. Where 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 terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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 payments 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

N. GOODS AND SERVICES TAX (GST)

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

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

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

O. COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

P. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - Provision for expected credit losses (ECLs) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivable. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. If the forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future.

Key estimates - Impairment of intangible assets

The Group assesses impairment at each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

NOTE 2. REVENUE FROM IT SERVICES

The following discloses the nature of income or expense items where it has not been disclosed in the statement of comprehensive income:

	2021	2020
	\$	\$
Revenue from contracts with customers		
Subscription and other recurring revenue	9,518,749	9,594,104
Professional services	600,000	978,917
Software sales	11,230	60,001
	10,129,979	10,633,022

NOTE 3. EXPENSES

The Group categorise expenses within the Consolidated Statement of Profit or Loss and Other Comprehensive Income based on the function of the expense. The table below discloses expenses based on the nature of the expense.

	2021	2020
	\$	\$
<i>Cost of sales and operating expenses</i>		
Auditor remuneration	108,865	109,438
Consulting Fees	569,622	384,434
Commission & other direct costs	723,945	881,480
Directors' remuneration	319,342	278,466
Employee benefits expense	6,545,596	6,389,790
Insurance	132,153	120,558
Travel expenses	10,644	210,545
Premises expenses	183,353	202,927
Sales and marketing	554,921	584,068
Share registry and listing fees	52,308	54,708
Other expenses	441,154	379,714
Interest expense	18,835	30,008
Total cost of sales and operating expenses excluding amortisation & depreciation	9,660,739	9,626,135
<i>Depreciation and amortisation</i>		
Amortisation of software	258,125	260,488
Depreciation of right-of-use assets	254,688	252,012
Depreciation of property, plant & equipment	69,807	79,027
Total depreciation & amortisation expense	582,600	591,527
Total cost of sales & operating expenses	10,243,339	10,217,663
<i>Depreciation and amortisation included in function expenses as follows:</i>		
Cost of sales	29,709	24,252
General and administration	214,300	181,754
Sales and marketing	35,331	44,281
Research and development	303,260	341,240
Total depreciation & amortisation expense	582,600	591,527

NOTE 4. AUDITOR'S REMUNERATION

	2021	2020
	\$	\$
Remuneration of the auditor of the parent entity (PKF Brisbane Audit) for:		
- auditing or reviewing the financial report	60,000	73,000
- non-audit-related services	-	-
	<u>60,000</u>	<u>73,000</u>
Remuneration of other auditors (PKF network firms) for:		
- auditing or reviewing the financial report of subsidiaries	48,865	36,438
	<u>108,865</u>	<u>109,438</u>

NOTE 5. PARENT ENTITY FINANCIAL INFORMATION

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards:

	2021	2020
	\$	\$
Statement of Financial Position		
Current assets	282,424	1,608,159
Total assets	10,773,525	15,317,520
Current liabilities	176,541	251,912
Total liabilities	201,650	348,752
Issued capital	69,799,778	69,838,778
Accumulated losses	(59,227,903)	(54,870,010)
Total equity	<u>10,571,875</u>	<u>14,968,768</u>
Statement of Comprehensive Income		
Profit/(loss) for the year	(4,357,893)	(810,643)
Total comprehensive income for the year	<u>(4,357,893)</u>	<u>(810,643)</u>

Financial guarantees

The Parent Entity has agreed to provide financial support in relation to trade debts or debts incurred by its subsidiaries that are incurred in the ordinary course of their business.

Contingent liabilities

Parent entity contingent liabilities are consistent with those disclosed in Note 22.

Commitments

At 30 June 2021, the Parent Entity had not entered into any contractual commitments for the acquisition of property plant and equipment [2020: nil]

NOTE 6. INCOME TAX

	2021	2020
	\$	\$
a) The components of income tax expense comprise:		
Current tax benefit / (expense)	13,140	(45,921)
Deferred tax	-	-
Under / (over) provided in prior years	-	-
	<u>13,140</u>	<u>(45,921)</u>
b) The prima facie income tax expense on profit from ordinary activities		
Prima facie tax benefit / (expense) on (loss) / profit from ordinary activities before income tax at 27.5% [2020: 27.5%]	26,534	(169,655)
Add/(less) tax effect of:		
(Non-deductible) Impairment	-	-
(Non-deductible) Other expenses	(104,208)	(64,066)
(Non-deductible) unrealised foreign exchange(gains)/losses	(19,639)	24,245
Add: tax withheld on income from foreign subsidiaries	(143,641)	(114,631)
Less: prior year tax adjustments	-	(2,573)
Losses for which no deferred tax asset has been recognised	254,094	280,759
Total Income tax benefit / (expense)	<u>13,140</u>	<u>(45,921)</u>
Weighted average effective tax rate on continuing operations	(13.6%)	7.4%

There have been no changes to the income tax rates applied by the income tax authorities of the jurisdictions in which the Group operates. The movement in the weighted average effective tax rate reflects the relative mix of taxable items that are contained within the Groups continuing operations which vary from year to year. These items include tax benefits from the on-going expenditure on eligible research and development relating to the redevelopment of Group software within the United Kingdom and offset of profits against accumulated tax losses.

c) Tax losses:

Unused tax losses for which no deferred tax asset has been recognised	<u>54,418,378</u>	53,019,833
Potential tax benefit at 27.5% [2020: 27.5%]	<u>14,965,054</u>	14,580,454

All unused tax losses were incurred by Australian entities. The benefits from tax losses will only be realised if it is probable that future tax profits will be available against which deductible losses can be utilised.

These benefits will only be obtained if –

- i. the Group derives future assessable income of a nature and of an amount sufficient to enable benefit from the deduction for the loss to be realised;
- ii. the Group continues to comply with the conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

d) Tax consolidation legislation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated Group and are therefore taxed as a single entity. The head entity within the tax-consolidated Group is Techniche Limited.

NOTE 7. CASH AND CASH EQUIVALENTS

	2021	2020
	\$	\$
Cash at bank and on hand	<u>2,590,355</u>	<u>4,468,562</u>

The effective interest rate on short-term bank deposits was between 0.0% and 1.0% [2020: between 0.0% and 1.0%].

NOTE 8. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Current		
Trade receivables	<u>2,219,439</u>	1,998,635
Other receivables	<u>111,044</u>	95,237
	<u>2,330,483</u>	<u>2,093,872</u>

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Group is considered to be related to the class of assets described as Trade and other receivables.

On a geographic basis, the Group has significant credit risk exposures in its three operating regions of Europe, the Middle East and Africa (EMEA), the Asia Pacific (APAC) and North America and Canada (The Americas). The Group's exposure to credit risk for receivables at reporting date to those regions is as follows:

EMEA	<u>1,451,512</u>	1,404,609
Americas	<u>712,244</u>	590,405
APAC	<u>166,727</u>	98,858
	<u>2,330,483</u>	<u>2,093,872</u>

Credit Risk – trade and other receivables

The following table details the Group's trade and other receivables exposed to credit risk with aging analysis and impairment provided for thereon. Amounts are considered 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables using historical observed default rates and regularly calibrates for forecast changes in economic conditions.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross	Past due and impaired	Past due but not impaired (days overdue)				Within trade terms
			< 30 days	31 - 60 days	61 - 90 days	> 90 days	
	\$	\$	\$	\$	\$	\$	\$
2021							
Trade receivables	2,219,439		53,576	36,305	4,697	8,946	2,115,915
Other receivables	111,044		-	-	-	-	111,044
	<u>2,330,483</u>		<u>53,576</u>	<u>36,305</u>	<u>4,697</u>	<u>8,946</u>	<u>2,226,959</u>
2020							
Trade receivables	1,998,635		76,765	116,051	-	9,463	1,796,356
Other receivables	95,237		-	-	-	-	95,237
	<u>2,093,872</u>		<u>76,765</u>	<u>116,051</u>	<u>-</u>	<u>9,463</u>	<u>1,891,593</u>

Neither the Group nor the parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

NOTE 9. OTHER CURRENT ASSETS

	2021	2020
	\$	\$
Prepayments	150,812	118,063
Security deposits	65,987	54,218
Work in progress	-	7,316
	216,799	179,597

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
	\$	\$
Plant and equipment at cost	455,633	568,550
Accumulated depreciation	(374,143)	(446,997)
	81,490	121,553

Movement in carrying amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year

Plant and equipment

Balance at 1 July 2020	121,553	150,294
Additions	46,349	48,720
Disposals	(16,606)	1,567
Depreciation expense	(69,807)	(79,027)
Balance at 30 June 2021	81,490	121,553

NOTE 11. RIGHT OF USE ASSETS

	2021	2020
	\$	\$
Land and buildings – right-of-use	1,351,139	967,032
Less: Accumulated depreciation	(906,015)	(654,020)
	445,124	313,012

The consolidated entity leases buildings for its offices under agreements of between three to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

As outlined in Note 1, the recognition of right-of-use-assets was offset by recognition of both current and non-current lease liabilities relating to the leased assets. Lease liabilities are recognised for lease contracts in excess of 12 months and are initially measured at the present value of remaining lease payments which have been discounted at the Group's incremental borrowing rate.

NOTE 12. INTANGIBLE ASSETS

	Note	2021 \$	2020 \$
Goodwill			
Cost		<u>4,722,851</u>	<u>4,722,851</u>
		<u>4,722,851</u>	<u>4,722,851</u>
Intellectual property rights			
Carrying value		<u>5,525,880</u>	<u>5,370,569</u>
		<u>5,525,880</u>	<u>5,370,569</u>
Software / Source Code			
Software / Source Code – at cost		<u>2,597,806</u>	<u>2,597,876</u>
Accumulated depreciation		<u>(791,821)</u>	<u>(533,766)</u>
		<u>1,805,985</u>	<u>2,064,110</u>
Total Intangible assets		<u>12,054,715</u>	<u>12,157,530</u>

Movement in carrying values

Movement in the carrying amounts of each class of intangible asset between the beginning and end of the financial period.

Goodwill			
Opening Balance		<u>4,722,851</u>	<u>4,722,851</u>
Closing balance		<u>4,722,851</u>	<u>4,722,851</u>
Intellectual property rights			
Opening balance		<u>5,370,569</u>	<u>5,420,054</u>
Foreign currency revaluation		<u>155,311</u>	<u>(49,485)</u>
Closing balance		<u>5,525,880</u>	<u>5,370,569</u>
Software / Source Code			
Opening Balance		<u>2,064,110</u>	<u>2,324,598</u>
Amortisation		<u>(258,125)</u>	<u>(260,488)</u>
Provisional goodwill attributed to software		<u>-</u>	<u>-</u>
Closing balance		<u>1,805,985</u>	<u>2,064,110</u>

NOTE 12. INTANGIBLE ASSETS (CONTINUED)

Impairment disclosures

	2021	2020
	\$	\$
Goodwill is allocated to cash generating units which are based on the Group's branded product offerings.		
Statseeker	4,722,851	4,722,851
Total	4,722,851	4,722,851

Goodwill was recorded in relation to the acquisition of the Statseeker Group of companies on 30 January 2018. Goodwill is assessed annually for impairment.

Intellectual Property Rights are allocated to cash generating units which are based on the Group's branded product offerings.

Urgent Technology Limited	5,525,880	5,370,569
Total	5,525,880	5,370,569

Intellectual Property Rights have been recorded in relation to the acquisition of Urgent Technology Limited on 28 May 2010. At the date of the acquisition the excess of the purchase consideration over the Net Tangible Assets acquired was identified as the right to use the eMaintenance Software in servicing the customers of Urgent Technology Limited. The eMaintenance software was subsequently sold by Urgent Technology Limited to Techniche Limited on 14 March 2012, however the rights to use the software remained with Urgent Technology Limited. There is no expiry to the Intellectual Property Rights and the eMaintenance software continues to be maintained. Therefore, the rights have been assessed as having indefinite useful lives and are assessed annually for impairment.

Software is allocated to cash generating units which are based on the Group's reporting segments.

Statseeker	1,805,985	2,064,110
Total	1,805,985	2,064,110

Software was recorded in relation to the acquisition of the Statseeker Group of companies on 30 January 2018. Software is assessed annually for impairment.

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections utilising financial budgets approved by the directors over a five-year period and where justified an additional five-year terminal value discounted at a pre-tax discount rate of 18.0%. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating unit operates. Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical data to project revenues, costs and net profit positions before management fees for the relevant reporting segment.

Scenario testing using reasonable possible changes in the assumptions used had no significant impact on the impairment of these assets.

NOTE 13. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1. All subsidiaries have share capital consisting solely of ordinary shares held directly by the Group.

	Country of incorporation	Percentage owned *	
		2021 %	2020 %
Subsidiaries of Techniche Limited:			
Techniche Technologies Pty Ltd	Australia	100	100
Techniche IP Services Pty Ltd	Australia	100	100
Techniche APAC Pty Ltd	Australia	100	100
Techniche Holdings USA Inc.	USA	100	100
Techniche Americas LLC	USA	100	100
Techniche EMEA Limited	United Kingdom	100	100
ERST International Pty Ltd	Australia	100	100
Urgent Technology Australasia Pty Ltd	Australia	100	100
Network Monitoring Holdings Pty Ltd	Australia	100	100
Statseeker Inc.	USA	100	100

NOTE 14. TRADE AND OTHER PAYABLES

	2021 \$	2020 \$
Current liabilities		
Trade payables	103,321	149,199
Sundry payables and accrued expenses	656,677	989,055
	759,998	1,138,254

NOTE 15. CURRENT TAX LIABILITIES

	2021	2020
	\$	\$
Current liabilities		
Other taxes payable	42,626	101,089
	<u>42,626</u>	<u>101,089</u>

NOTE 16. PROVISIONS

	2021	2020
	\$	\$
(a) Short-term Provisions		
Short term employee entitlements		
Balance at 1 July	204,443	267,793
Provisions acquired	-	-
Additional provisions	412,788	395,016
Amounts used	(311,220)	(458,366)
Balance at 30 June	<u>306,011</u>	<u>204,443</u>
Other provisions	-	-
Balance at 30 June	<u>306,011</u>	<u>204,443</u>
(b) Long-term Provisions		
Long term employee benefits		
Balance at 1 July	34,523	33,372
Additional provisions	31,827	1,151
Amounts used	-	-
Balance at 30 June	<u>66,350</u>	<u>34,523</u>
Other provisions	17,710	14,363
Balance at 30 June	<u>84,059</u>	<u>48,886</u>
Analysis of total employee provisions		
Current	306,011	204,443
Non-current	66,350	34,523
	<u>372,360</u>	<u>238,966</u>

NOTE 17. UNEARNED INCOME

	2021	2020
	\$	\$
Balance at 1 July	5,877,202	5,218,978
Net movements	(1,607,880)	658,224
Balance at 30 June	4,269,322	5,877,202

NOTE 18. ISSUED CAPITAL

	2021	2020	2021	2020
	Number	Number	\$	\$
a) Ordinary shares				
At the beginning of the reporting period	210,719,329	210,719,329	69,838,778	69,838,778
Shares bought back	(1,652,096)	-	(39,000)	-
At reporting date	209,067,233	210,719,329	69,799,778	69,838,778
Fully paid	209,067,233	210,719,329	69,799,778	69,838,778

b) Capital management

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

The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders, comprising of contributed equity and accumulated losses. In order to maintain or adjust the capital structure, the Group may issue new shares, buy back existing shares, sell assets or adjust the level of activities undertaken by the Group.

The Group monitors capital on the basis of cash flow requirements for operational and financing activities. The Group has no exposure to borrowings as at 30 June 2021 [2020: nil]. The Group's strategy to capital risk management is unchanged from prior years.

NOTE 19. RESERVES

	2021	2020
	\$	\$
Foreign Currency Translation Reserve	616,249	343,945

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 21. CASH-FLOW INFORMATION

	2021	2020
	\$	\$
	<u> </u>	<u> </u>
a) Reconciliation of cash		
For the purpose of the Consolidated Statement of Cash Flows cash includes cash on hand and at bank and short-term deposits on call. Cash at the end of the period as shown in the Consolidated Statement of Cash Flows is recorded as follows:		
Cash at bank and on hand (Note 7)	2,590,355	4,468,562
Cash per statement of cash flows	<u>2,590,355</u>	<u>4,468,562</u>
b) Reconciliation of cash flows from operations with profit / (loss) after income tax		
Profit / (loss) after income tax	(83,348)	571,006
Non-cash flows in profit/(loss):		
Depreciation and amortisation	582,600	591,527
Unrealised foreign exchange (gains) / losses	71,415	(88,164)
Loss from sale of fixed asset	-	-
Finance expenses / (income)	-	12,305
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(236,610)	(68,661)
(Increase)/decrease in other current assets	(37,202)	66,517
(Increase)/decrease in property, plant and equipment	15,451	-
(Increase)/decrease in right of use assets	18,141	-
Decrease/(increase) in payables / unearned income	(1,986,136)	1,247,280
Decrease/(increase) in provisions	133,394	(47,835)
Decrease/(increase) in current tax liabilities	(58,463)	107,350
Cash flows from operations	<u>(1,580,759)</u>	<u>2,391,325</u>

NOTE 22. CONTINGENT LIABILITIES

Techniche Limited has implemented strategies and established targets for growing revenues that are expected to lead to an increase in the enterprise valuation with a potential for a trade sale or other exit for shareholders in Techniche Limited. An executive incentive scheme has been established to attract, retain and incentivise key executives to deliver on the targeted goals. The scheme is contingent upon a trade sale or similar exit for shareholders at a valuation above a targeted price of 10 cents per share. An exit such as a trade sale would result in the creation of a bonus pool equivalent to 20% of the excess above the target of 10 cents per share.

The Group had no other contingent liabilities at the end of the reporting period.

NOTE 23. RELATED PARTY TRANSACTIONS

Techniche Limited is the ultimate parent entity in the wholly owned group comprising the Company and its wholly owned controlled entities. Transactions between the Company and its controlled entities have been eliminated in the consolidated financial statements.

The aggregate amounts of transactions between the Company and its controlled entities are in the respective classification categories in the financial statements. The nature, terms and conditions of each different type of transaction area are as follows:

- Loans between the Company and its controlled entities are unsecured and advanced on an interest free basis
- Inter entity fees are charged for the on-going development of centrally owned intellectual property
- Inter-entity fees are charged for the distribution of software products relating to the centrally owned intellectual property
- Some operating expenses are incurred centrally and recovered from other Group entities

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

Key Management Personnel compensation

	2021	2020
	\$	\$
Short-term employee benefits	1,379,346	1,323,378
Post-employment benefits	117,089	193,272
	1,537,147	1,516,650

NOTE 24. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows.

	2021	2020
	\$	\$
Financial assets		
Cash and cash equivalents	2,590,355	4,468,562
Trade and other receivables	2,330,483	2,093,872
Loan to associated entities	-	-
Other receivables from associated entities	-	-
	<u>4,920,838</u>	<u>6,562,434</u>
Financial liabilities		
Trade and other payables	<u>1,210,346</u>	<u>1,445,862</u>

Specific financial risk exposure and management

The main risks the Group is exposed to through its financial instruments are liquidity risk, foreign currency risk, credit risk and price risk.

a) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- maintaining a reputable credit profile
- only investing surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect the undiscounted contractual maturity for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore defer from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the statement of financial position.

Financial assets and liabilities maturity analysis

	Effective Interest Rate		Within 1 year		1 to 5 years		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash and cash equivalents	0.0	0.0	2,590,355	4,468,562	-	-	2,590,355	4,468,562
Trade and other receivables	-	-	2,330,483	2,093,872	-	-	2,330,483	2,093,872
Other receivables from associated entities	-	-	-	-	-	-	-	-
			<u>4,920,838</u>	<u>6,562,434</u>	-	-	<u>4,920,838</u>	<u>6,562,434</u>
Financial Liabilities								
Trade and other payables	-	-	759,998	1,138,254	-	-	759,998	1,138,254
Lease Liabilities	-	-	197,523	214,337	252,825	93,271	450,348	307,608
			<u>957,521</u>	<u>1,352,591</u>	<u>252,825</u>	<u>93,271</u>	<u>1,210,346</u>	<u>1,445,862</u>
Net financial assets / (liabilities)			<u>3,851,889</u>	<u>5,209,843</u>	<u>(252,825)</u>	<u>(93,271)</u>	<u>3,599,064</u>	<u>5,116,572</u>

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Net financial assets / (liabilities) in AUD				Total AUD
	AUD	EURO	GBP	USD	
2021					
Functional currency of Group					
Australian Dollars	399,586	-	-	-	399,586
Great British Pounds	-	-	850,674	-	850,674
United States Dollars	-	-	-	1,340,094	1,340,094
Balance sheet exposure	399,586	-	850,674	1,340,094	2,590,355
Year-end exchange rate			0.5429	0.7518	
2020					
Functional currency of Group					
Australian Dollars	1,713,461	-	-	-	1,713,461
Great British Pounds	-	-	2,424,735	-	2,424,735
United States Dollars	-	-	-	330,366	330,366
Balance sheet exposure	1,713,461	-	2,424,735	330,366	4,468,562
Year-end exchange rate			0.5586	0.6863	

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 60 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the directors have otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, then risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk is managed at subsidiary level and reviewed regularly by the directors. It arises from exposure to customers. Each entity monitors credit risk by actively assessing the rating quality of counter parties with all potential customers rated for credit worthiness by considering their size, market position and financial standing.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on S&P counterparty credit ratings.

	2021	2020
	\$	\$
Cash and cash equivalents		
- AA Rated	1,250,260	4,138,451
- A Rated	1,340,094	330,111
	2,590,355	4,468,562

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)**NET FAIR VALUES****Fair value estimation**

The fair values of financial assets and financial liabilities are compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The net fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value
- Other assets and other liabilities approximate their carrying values

SENSITIVITY ANALYSIS

The following table illustrates sensitivities to the Consolidated Entity's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
+/- 100 bps in interest rates		
2021	35,312	35,312
2020	30,220	30,220
Strengthening of AUD against other currencies by 10%		
2021	(259,115)	(15,953)
2020	(106,567)	118,560

NOTE 25. AFTER BALANCE DATE EVENTS

There are no matters or circumstances that have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial periods.

NOTE 26. NET CURRENT ASSET DEFICIENCY

As at 30 June 2021, the Group has reported a net current asset deficiency of \$561,729 (30 June 2020: \$793,294). However, the current liabilities include unearned income of \$4,269,322 for customers who have paid in advance for their software licence subscription and support fees. The unearned income is not required to be funded with cash, and revenue is recognised when it is earned over the contracted periods.

NOTE 27. COMPANY DETAILS

The registered office of Techniche Limited in Australia is:

Ground Floor
143 Coronation Drive
Milton QLD 4064

The principal place of business of Techniche Limited in Australia is:

Ground Floor
143 Coronation Drive
Milton QLD 4064

Other places of business are:

Techniche APAC Pty Ltd
Ground Floor
143 Coronation Drive
Milton QLD 4064

Techniche Americas LLC
5857 Owens Avenue
Suite 300
Carlsbad CA 92008


Techniche EMEA Limited
Powerhouse, Harrison Close
Knowlhill, Milton Keynes, MK5 8PA
United Kingdom

In the directors' opinion:

1. the financial statements and notes, as set out on pages 13 to 48 are in accordance with the *Corporations Act 2001* including:
 - a. complying with Australian Accounting Standards, 2001 which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. giving a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Consolidated Group;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

The directors have been given the declarations from the Chief Executive Officer and the Group Financial Controller.

This declaration is made in accordance with a resolution of the Board of Directors.



Karl P Jacoby
Executive Chairman



Andrew Campbell
Director

Brisbane, 31 August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHNICHE LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Techniche Limited (the company), which comprises the consolidated statement of financial position as at Wednesday, 30 June 2021, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

- a) Giving a true and fair view of the consolidated entity's financial position as at Wednesday, 30 June 2021 and of its performance for the year ended on that date; and
- b) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our 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

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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.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability 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 have 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

BRISBANE
31 AUGUST 2021

CORPORATE DIRECTORY

DIRECTORS

Karl Phillip Jacoby (Executive Chairman)
Andrew Lambert Campbell
Anastasia Mary Ellerby
C. Mark Gill

COMPANY SECRETARY

John Lemon

LEADERSHIP TEAM

Karl Phillip Jacoby	Executive Chairman
David Wilson	Chief Financial Officer
Thomas Caldwell	Chief Technology Officer
Steve Brady	Head of Global Sales
Paul Djuric	Customer Success
James Wells	Product - Statseeker
David Cornish	Product - Urgent

REGISTERED OFFICE

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Website: www.technicgroup.com
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AUDITORS

PKF Brisbane Audit
Chartered Accountants
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Brisbane Queensland 4000

SOLICITORS

Minter Ellison
Level 22, Waterfront Place
1 Eagle Street
Brisbane Queensland 4000

SHARE REGISTRY

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane Queensland 4000
Telephone: + 61 1300 554 474
Website: www.linkmarketservices.com.au

CORPORATE GOVERNANCE STATEMENT

A copy of the Techniche Limited Corporate Governance Statement can be obtained from the Company website at:
<http://www.technicgroup.com/investors/corporate-governance/>.