Techniche Ltd
PO Box 2092,
Toowong, QLD, 4066
Telephone +61 1300 556 673
Email info@technichegroup.com
Website https://technichegroup.com/
ABN 83 010 506 162

27 February 2019

The Manager
Australian Stock Exchange Limited
P O Box H224
AUSTRALIA SQUARE NSW 1215

Dear Sir,

Techniche Limited ABN 83 010 506 162 - ASX Code TCN

APPENDIX 4D – HALF YEAR REPORT

Techniche Limited "The Company" lodges herewith the above report including a Condensed Consolidated Interim Financial Report prepared in accordance with *AASB 134 Interim Financial Reporting* for the half year to 31 December 2019 which has been subject to review.

Yours faithfully,
TECHNICHE LIMITED

Karl P. Jacoby
Chairman & CEO

INTERIM FINANCIAL REPORT

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Key Information	Half-year to 31 December 2019 $	Half-year to 31 December 2018 $	Change $	Change %
Subscription and other recurring revenues	**4,563,052**	4,276,281	286,772	6.7%
Professional services and other non-recurring revenues	**630,222**	501,631	128,591	25.6%
Total revenue from IT Services	**5,193,274**	**4,777,912**	415,362	8.7%
Interest and other income	**9,205**	28,434	(19,230)	(67.6%)
Total Group revenue	**5,202,479**	**4,806,347**	396,132	8.2%
Net profit before tax	198,414	26,795	171,619	640.5%
Profit after tax from ordinary activities	**213,833**	**27,290**	**186,543**	**683.6%**
Net profit attributable to members	**213,833**	**27,290**	**186,543**	**683.6%**
Other comprehensive income	**177,857**	**43,997**	**133,860**	**304.2%**
Total comprehensive income / (loss)	**391,690**	**71,287**	**320,403**	**449.5%**

Dividends (distributions)	**Amount per security**	**Franked amount per security**
2019 final dividend	nil	nil
Record date for determining entitlement to the interim dividend		
No interim dividend has been declared		
Dividend Reinvestment Plans		
The Group does not have any dividend reinvestment plans in operation.		

NTA backing	**Current Period**	**Previous Corresponding Period**
Net tangible asset backing per ordinary security	(0.45) cents	(0.06) cents
The net tangibles asset backing per ordinary security of (0.45) cents presented above is inclusive of right-of-use assets and liabilities. The net tangible asset backing per ordinary security, as at 31 December 2019, would reduce to (0.66) cents if right-of-use assets were excluded, and right-of-use liabilities were included in the calculation Net tangible assets are showing a negative value for the reporting and comparative periods due to the majority of recorded assets being intangible.		

This information should be read in conjunction with the 2019 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2019.

This report is based on the consolidated financial statements for the half-year ended 31 December 2019 which have been reviewed by PKF Brisbane.

INTERIM FINANCIAL REPORT

Directors' Report

The Directors of Techniche Limited ("the Company") submit herewith the financial report for the half-year ended 31st December 2019 of the Consolidated Entity, being the Company and its controlled entities.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of Techniche Limited who held office at any time during or since the end of the half year are:

Karl Phillip Jacoby (Executive Chairman)
Andrew Campbell
Anastasia Ellerby
Mark Gill

Principal Activities

The principal activity of the Consolidated Entity during the half year was the development and distribution of software. There were no significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Review of Operations

The Board of Techniche Limited are pleased to report a consolidated net profit after tax of $213,833 compared to a profit after tax of $27,290 for the corresponding period last year.

Consolidated Group revenue from wholly owned subsidiaries for the period increased 8.7% to $5,193,274 [2018: $4,777,912] with underlying Urgent product revenues up 19.7% and Statseeker revenues down 1.8%.

Recurring revenue from Urgent increased by 15.5% to $2,241,281 [2018: $1,940,676] while growing demand for professional services resulted in non-recurring revenues increasing by 41.1% to $544,164 [2018: $385,688].

Statseeker product revenues were $2,407,829 [2018: $2,451,548] for the period.

AASB 16 'Leases' had a minor impact on the current period. The current profit before income tax expense was reduced by $6,638. This included an increased depreciation expense of $124,868 and increased finance costs of $13,535, offset by a reduction in other expenses (reclassification of lease expenses) of $131,765. As at 30 June 2019, net current assets were reduced by $227,189 (attributable to current lease liabilities) and net assets were increased by $9,800 (attributable to right-of-use assets and lease liabilities).

Net assets have increased to $11,583,056 from $11,181,567 at the end of the last annual reporting period (30th June 2019) reflecting a return to profitable trading and an increase in foreign currency assets due to a weakening in the Australian dollar.

The Company retained cash reserves of $1,874,348 at 31st December 2019 [as at June 2019: $2,355,523]. The decrease was attributed to the normal seasonal cash flows which are biased to the second half when a number of significant annual customer receipts are scheduled to be received.

Directors’ Report

The Techniche Strategy

Since publishing our Annual Report, Techniche has continued to sharpen its focus around its 2 core products, Urgent and Statseeker.

Techniche has many Fortune 500 companies as customers, generating the bulk of its revenues from these customers that are mainly located in Nth America and Europe.

It has teams and offices in the 3 key geographies of EMEA (Europe, Middle East, Africa), APAC (Asia Pacific), and the Americas.

Urgent

The Urgent product is a powerful cloud-based computer-aided facilities management platform (CAFM, or CMMS) that tracks and improves asset performance, taking care of everyday maintenance and management. Automating toolbox tasks gives our customers more time for planning, strategy and development.

Urgent’s primary market is Fuel Retail, with global customers such as BP and AECOM (Shell). The product is used in approx. 40,000 sites in 34 countries, managing approx. $1 billion of maintenance spend per year.

Key milestones for the period include:

- Growing ARR by approx. 15%
- Growing Professional Services Revenue approx. 41%
- Securing another customer in the care home market in the UK
- Improving sales pipeline
- Market analysis of fuel retail globally completed
- Continued development of our marketing collateral to support our growth strategies

Statseeker

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. It can monitor networks of any size, collecting network data such as SNMP and ping, NetFlow (sFlow and J-Flow), syslog and trap messages, as well SDN configuration and health metrics.

Key milestones for the period include:

- We now have Account Managers managing our entire account base, which has led to higher customer retention rates and upsell opportunities
- Professional services wrapped around the Statseeker product is growing new revenue stream
- Launched version 5.5. New features include:
    - Customizable dashboards and a greatly enhanced interface
    - Enhanced syslog reporting
    - Hardware/asset inventory, Cisco ACI fault collection and other API enhancements
    - Geolocation and MAC/IP tracking

Directors' Report

ODN (Operational Defined Networks)

Techniche is also developing a new offering called Operational Defined Networks (ODN), that combines our network monitoring & management capability with our facilities & asset management capability.

In real time ODN will be able to discover & locate all assets, monitor & check their availability, monitor & manage their performance, while monitoring & managing network performance, & providing a layer of cyber surveillance.

We believe with the increase of smart IP enabled assets in light industries, real time monitoring and management of critical assets will make a significant improvement to the performance of a business.

Summary

It remains the 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.

This will mean investment in creating the right product suite, building deeper and stronger relationships with our current and new customers, and building a greater focus on revenue growth.

For shareholders, we believe this will offer the best opportunity to maximise returns in the future.

Directors' Report

Independence Declaration of Auditor

There is no former partner or director of PKF Brisbane, the Company's auditor, who is or was at any time during the half-year ended 31 December 2019 an officer of the Consolidated Entity.

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001 is set out on page 10 and forms part of this Directors' Report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the Directors

K. P. Jacoby

Brisbane 27 February 2019

Management Commentary

Techniche have a number of metrics that we track including Revenue Growth, Annual Recurring Revenue Growth, EBITDA margin, Gross Profit margin, as well as Group expenses. Expense function categories are “Sales and Marketing”, “Research and Development” and “General and Administration”

Non-GAAP measures have been included, as we believe they provide useful information for readers to assist in understanding Techniche’s financial performance. Non-GAAP financial measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with the Australian equivalents to International Financial Reporting Standards.

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

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.

Six months to 31 December	**2019**	**2018**	**change**
Net profit after tax	**213,833**	**27,290**	**683.6%**
Add back: Interest expense[1]	17,000	-	
Add back: Depreciation[1]	162,030	34,488	
Add back: Amortisation	128,999	128,999	
Earnings Before interest, tax, depreciation & amortisation	**506,443**	**190,282**	**166.2%**
EBITDA margin	*9.8%*	*4.0%*	*5.8%*

1. From 1 July 2019, Techniche has implemented *AASB 16 – Leases*. Future cash flows from contractual commitments such as office leases will be capitalised to create a “Right of Use” asset and an interest-bearing “Lease liability”. While the impact on the Net Profit After Tax has been minimal, it has resulted in operating expenses that were previously recognised as occupancy costs restated to a combination of depreciation of the “Right of Use” asset and interest on the “Lease Liability”. The impact of implementing *AASB 16 – Leases* has been to increase the reported measure of EBITDA in the half year to December 2019 by $138,403, consisting of interest on Lease Liabilities of $13,535 and depreciation of Right-of-Use assets of $124,868.

Revenue Growth

Techniche generates revenues from two products, Urgent and Statseeker. Techniche has many Fortune 500 customers, with our products sold and supported by staff in each of our key geographical subsidiaries - Techniche EMEA (covering Europe, Middle East & Africa), Techniche Americas and Techniche APAC (covering Asia & the Pacific).

Consolidated Group revenue from wholly owned subsidiaries for the period increased by 8.7% to $5,193,274, Urgent Recurring revenue increased by 15.5% to $2,241,281, while growing demand for professional services resulted in non-recurring Urgent revenues increasing by 41.1% to $544,164.

Statseeker product revenues were down 1.8% to $2,407,829 for the period.

Six months to 31 December **Total Revenues** **Urgent**	**2019**	**2018**	**change**
Subscription and other recurring revenues	**2,241,281**	1,940,676	15.5%
Professional services and other non-recurring revenues	**544,164**	385,688	41.1%
Statseeker			
Subscription and other recurring revenues	**2,321,771**	2,335,604	(0.6%)
Professional services and other non-recurring revenues	**86,058**	115,944	(25.8%)
Total Group Revenues			
Subscription and other recurring revenues	4,563,052	4,276,281	6.7%
Professional services and other non-recurring revenues	630,222	501,631	25.6%
Total revenue from IT services	**5,193,274**	4,777,912	8.7%

Management Commentary

Gross Profit

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.

Gross Profit increased slightly for the period.

Six months to 31 December	**2019**	**2018**	**change**
Total revenue from IT services	5,193,274	4,777,912	8.7%
Cost of sales	1,362,406	1,256,787	(8.4%)
Gross profit	3,830,868	3,521,125	8.8%
Gross margin (%)	73.8%	73.7%	0.1%

Expenses

Techniche has changed its method of managing and presenting Group expenses from based on their 'nature' to based on their 'function'. The Company views this as a more appropriate format for a technology business. Expense function categories include, "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.

Sales & Marketing expenses were lower both in overall terms and as a percentage of revenues.

Six months to 31 December	**2019**	**2018**	**change**
Sales and marketing expense	1,134,584	1,270,369	10.7%
Percentage of operating revenue	21.8%	26.6%	4.8%

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.

Research & Development expenses were higher in overall terms and as a percentage of revenue as the company invested in additional development resources.

Six months to 31 December	**2019**	**2018**	**change**
Research and development expense (excl. amortisation)	1,348,876	1,021,865	(32.0%)
Amortisation	128,999	128,999	-
Research and development expense	**1,477,875**	**1,150,864**	**(28.4%)**
Percentage of operating revenue	28.5%	24.1%	(4.4%)

Management Commentary

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 listed public company, legal, accounting and other professional services fees, insurance premiums, other corporate expenses and allocated overheads.

General & Admin costs were lower for the period.

Six months to 31 December	**2019**	**2018**	**change**
General and administration expense	1,012,200	1,101,532	8.1%
Percentage of operating revenue	19.5%	23.1%	3.6%

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 half-year ended 31 December 2019, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
DATE: 27 FEBRUARY 2020

Condensed Consolidated Statement of Comprehensive Income

	Notes	Half year to 31 December 2019	Half year to 31 December 2018
		$	**$**
Revenue from IT services	**2**	**5,193,274**	4,777,912
Cost of sales	**3**	**(1,362,406)**	(1,256,787)
Gross profit		**3,830,868**	3,521,125
Other income		**8,671**	14,563
Operating expenses	**3**		
General and administration		**(1,012,200)**	(1,101,532)
Sales & marketing		**(1,134,584)**	(1,270,369)
Research and development		**(1,477,875)**	(1,150,864)
Total operating expenses		**(3,624,659)**	(3,522,765)
Operating profit from ordinary activities		**214,880**	12,923
Interest income		**534**	13,872
Interest expense (includes interest on lease liabilities)		**(17,000)**	-
Profit / (loss) before income tax		**198,414**	26,795
Income tax benefit		**15,420**	495
Profit for the half year attributable to the members of the parent entity		**213,833**	27,290
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**177,857**	43,997
Other comprehensive income for the half year		**177,857**	43,997
Total comprehensive income attributable to members of the parent entity		**391,690**	71,287
Earnings per share		**Cents**	Cents
Basic earnings per share (cents per share)		0.10	0.01
Diluted earnings per share (cents per share)		0.10	0.01

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	As at 31 December 2019 $	As at 30 June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents		**1,874,348**	2,355,523
Trade and other receivables		**1,269,064**	2,025,212
Current tax assets		**5,709**	6,261
Other current assets		**349,416**	246,114
Total current assets		**3,498,537**	4,633,110
Non-current assets			
Property, plant and equipment		**142,675**	150,294
Right-of-use assets	**6**	**436,602**	-
Intangible assets	**5**	**12,535,073**	12,467,503
Total non-current assets		**13,114,350**	12,617,797
Total assets		**16,612,887**	17,250,906
LIABILITIES			
Current liabilities			
Trade and other payables		**610,895**	549,197
Unearned income		**3,763,298**	5,218,978
Lease liabilities	**6**	**236,242**	-
Short term provisions		**174,851**	267,793
Total current liabilities		**4,785,286**	6,035,968
Non-current liabilities			
Lease liabilities	**6**	**201,340**	-
Long term provisions		**43,205**	33,372
Total non-current liabilities		**244,545**	33,372
Total liabilities		**5,029,831**	6,069,340
NET ASSETS		**11,583,056**	11,181,567
Equity			
Issued capital		**69,838,778**	69,838,778
Reserves		**627,529**	449,673
Accumulated losses		**(58,883,251)**	(59,106,884)
TOTAL EQUITY		**11,583,056**	11,181,567

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

	Notes	Ordinary shares $	Retained earnings $	FX translation reserve $	Total $
Balance at 1 July 2018		**70,211,280**	**(57,856,486)**	**473,702**	**12,828,496**
Loss attributable to members of the parent entity		-	27,290	-	27,290
Total other comprehensive income		-	-	43,997	43,997
Sub total		-	27,290	43,997	71,287
Transactions with owners in their capacity as owners					
Share capital reduction		(372,502)	-	-	(372,502)
Balance at 31 December 2018		**69,838,778**	**(57,829,196)**	**517,699**	**12,527,281**
Balance at 1 July 2019		**69,838,778**	**(59,106,884)**	**449,672**	**11,181,566**
Adjustment for change in accounting policy for Leases	1	-	9,800	-	9,800
Balance at 1 July 2019 - restated		**69,838,778**	**(59,097,084)**	**449,672**	**11,171,766**
Profit attributable to members of the parent entity		-	213,833	-	213,833
Total other comprehensive income		-	-	177,857	177,857
Sub total		-	213,833	177,857	391,690
Balance at 31 December 2019		**69,838,778**	**(58,883,251)**	**627,529**	**11,583,056**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

	Note	**Half year to 31 December 2019 $**	Half year to 31 December 2018 $
Cash flows from operating activities			
Receipts from customers		**4,379,735**	4,076,504
Payments to suppliers and employees		**(4,639,853)**	(5,105,888)
Interest received		**534**	13,872
Interest paid (includes interest on lease liabilities)		**(17,000)**	-
Income tax refund / (paid)		**(6,647)**	(11,081)
Net cash provided by / (used in) operating activities		**(283,231)**	(1,026,593)
Cash flows from investing activities			
Purchase of plant and equipment		**(16,039)**	(107,035)
Net cash provided by / (used in) investing activities		**(16,039)**	(107,035)
Cash flows from financing activities			
Issued capital bought back		**-**	(372,502)
Repayment of lease liabilities		**(159,857)**	-
Net cash provided by / (used in) financing activities		**(159,857)**	(372,502)
Net increase / (decrease) in cash held		**(459,128)**	(1,506,130)
Effects of functional currency exchange rate changes on cash and cash equivalents		**(22,047)**	39,012
Cash and cash equivalents at the beginning of the half year		**2,355,523**	3,115,672
Cash and cash equivalents at the end of the half year		**1,874,348**	1,648,554

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

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

Techniche Limited is a public company incorporated and domiciled in Australia.

The interim financial statements were authorised for issue on 27 February 2019 by the directors of the Company.

Note 1. Summary of significant accounting policies

Basis of preparation

These general purpose condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This condensed consolidated interim financial report is intended to provide users with an update on the latest annual financial statements of Techniche Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Comparative figures have been adjusted to conform with changes in presentation for the current financial period.

Significant Accounting policies

The accounting policies and methods of computation adopted in the preparation of this condensed consolidated interim financial report are consistent with those adopted and disclosed in the Company's 2019 annual financial report for the year ended 30 June 2019, except for the policy set out below:

New and amended standards adopted by the group

A new or amended standard became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standard:

AASB 16: Leases
The Group has adopted AASB 16: Leases with a date of initial application of 1 July 2019.

The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $
Operating lease commitments as at 30 June 2019	806,219
Leases with remaining lease term of less than 12 months	(147,850)
Operating lease commitments before discounting	658,369
Discounts using incremental borrowing rate	(93,448)
Total lease liabilities recognised under AASB 16 at 1 July 2019	**564,921**
Right-of-use assets (AASB 16)	562,417
Lease liabilities - current (AASB 16)	(227,189)
Lease liabilities - non-current (AASB 16)	(337,732)
Make good provisions	(14,363)
Other current assets	(32,772)
Other provisions	59,439
Increase in opening retained profits as at 1 July 2019	9,800

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.

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.

Notes to the Financial Statements

Note 2. Revenue from IT Services

	Half year to 31 December 2019 $	Half year to 31 December 2018 $
Revenue from contracts with customers		
Subscription & other recurring revenues	**4,563,052**	4,276,281
Professional services	**575,041**	387,490
Software sales	**55,181**	114,141
Total revenue from IT Services	**5,193,274**	4,777,912

Note 3. Expenses

Techniche has changed its method of managing and presenting Group expenses from based on their 'nature' to based on their 'function'. Mapping of expenses by nature to expenses by function is determined by classifying expense transactions to functions. Significant expenses such as "Employee benefits expense" are typically mapped to functions based on the classification of staff roles, while other types of expenses are assessed at a transaction level.

Cost of sales and operating expenses	Half year to 31 December 2019 $	Half year to 31 December 2018 $
Auditor remuneration	**(52,187)**	(65,333)
Consulting fees	**(192,556)**	(262,157)
Commission & other direct costs	**(451,524)**	(325,224)
Directors remuneration	**(139,233)**	(99,452)
Employee benefits expense	**(3,040,666)**	(2,886,246)
Insurance	**(61,407)**	(60,452)
Travel expenses	**(158,087)**	(140,213)
Premises expenses	**(98,929)**	(237,870)
Sales & Marketing	**(322,639)**	(305,773)
Share registry and listing fees	**(27,463)**	(24,474)
Other expenses	**(151,345)**	(208,871)
Total Cost of sales and operating expenses excluding amortisation & depreciation	**(4,696,036)**	(4,616,065)
Depreciation and amortisation		
Amortisation of software	**(130,354)**	(128,999)
Depreciation of right-of-use assets	**(124,868)**	-
Depreciation of property, plant & equipment	**(35,807)**	(34,488)
Total depreciation & amortisation expense	**(291,029)**	**(163,487)**
Total cost of sales & operating expenses	**(4,987,065)**	(4,779,552)
Depreciation and amortisation included in function expenses as follows:		
Cost of Sales	**(11,875)**	-
General and administration	**(62,008)**	34,488
Sales & Marketing	**(26,525)**	-
Research and development	**(190,621)**	(128,999)
Total depreciation & amortisation expense	**(291,029)**	(163,487)

Notes to the Financial Statements

Note 4. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets at the date of this interim consolidated financial report.

Note 5. Intangibles

	As at 31 December 2019 $	As at 30 June 2019 $
Intellectual property rights		
Carrying value	**5,617,978**	5,420,054
	5,617,978	5,420,054
Goodwill		
Goodwill acquired	**4,722,851**	4,722,851
	4,722,851	4,722,851
Software / source code		
Software / source code – at cost	**2,582,596**	2,582,596
Accumulated depreciation	**(388,352)**	(257,998)
	2,194,244	2,324,528
Total intangibles	**12,535,073**	12,467,503

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

	July 2019 to December 2019 $	July 2018 to June 2019 $
Intellectual property rights		
Opening balance	**5,420,054**	5,324,814
Foreign currency revaluation	**197,924**	95,240
Closing balance	**5,617,978**	5,420,054
Goodwill		
Opening balance	**4,722,851**	5,246,290
Provisional goodwill attributed to software	**-**	(523,439)
Closing balance	**4,722,851**	4,722,851
Software / source code		
Opening Balance	**2,324,598**	2,062,669
Amortisation	**(130,354)**	(261,510)
Impairment	**-**	-
Provisional goodwill attributed to software	**-**	523,439
Closing balance	**2,194,244**	2,324,598
Total intangibles	**12,535,073**	12,467,503

Note 6. Non-current assets – right of use assets

	As at 31 December 2019 $	As at 30 June 2019 $
Land and buildings - right-of-use	**967,032**	-
Less: Accumulated depreciation	**(530,430)**	-
	436,602	-

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 liaiblities relating to the leased assets.

Note 7. Operating segments

Commencing 1 July 2019, the Group changed the basis of managing its' operating segments from product-based business units to geographical regions and a corporate head office. Each region will now offer all software product lines and professional services. Their performance will be assessed and used to determine the allocation of resources.

Based on this criteria the Group has identified the following segments:

i. Corporate / Techniche Ltd undertaking a role in managing investments, Group intellectual property and undertaking overall direction of strategy including acquisitions and divestments
ii. APAC is managed from the Techniche office in Milton, Australia and covers Asia and the Pacific
iii. The Americas region is based in San Diego, California and is focused on selling and services customers in the North and South American region
iv. EMEA is managed from the United Kingdom office in Milton Keynes and covers Europe, Middle East and Africa

The following is an analysis of the revenue and results for the periods ending 31 December 2019 and 31 December 2018, analysed by geographical region operating segments, which is Techniche Limited's primary basis of segmentation.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. Inter-segment transactions
From 1 July 2019, an internally determined transfer price is set for all inter-segment sales. This price is re-set regularly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. Segment assets
Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority of economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables, tax related liabilities and certain direct borrowings.

Notes to the Financial Statements

Note 7. Operating segments (Continued)

Consolidated – 31 December 2019	TCN Corporate 2019 $	APAC 2019 $	Americas 2019 $	EMEA 2019 $	Total 2019 $
Revenue from IT services	-	1,959,216	594,752	2,639,306	5,193,274
Intra-segment sales	-	-	-	-	-
Inter-segment sales	2,154,513	762,609	432,599	611,113	3,906,835
Segment sales revenue	2,154,513	2,721,826	1,027,351	3,250,419	9,154,109
Interest & Other income	4,400	10,211	-	(5,406)	9,205
Total segment revenue before elimination	2,158,913	2,732,037	1,027,351	3,245,013	9,163,314
Reconciliation of segment revenue to group revenue:					
Elimination entries for revenue on consolidation	(2,154,513)	(762,609)	(432,599)	(611,113)	(3,960,835)
Total revenue	4,400	1,969,427	594,752	2,633,900	5,202,479
Profit/(loss) before income tax	(544,216)	1,121,330	(694,879)	316,179	198,414
Income tax expense	-	(3,441)	(3,206)	22,067	15,420
Segment result after tax	(544,216)	1,117,889	(698,086)	338,246	213,833
Intra-group charges					-
Total contribution after tax					213,833
Total consolidated assets	13,432,570	435,145	989,636	1,755,535	16,612,887
Total consolidated liabilities	429,253	1,540,735	1,283,246	1,776,597	5,029,831

Notes to the Financial Statements

Note 7. Operating segments (Continued)

Consolidated – 31 December 2018	TCN Corporate 2018 $	APAC 2018 $	Americas 2018 $	EMEA 2018 $	Total 2018 $
Revenue from IT services	-	2,508,362	768,933	1,500,557	4,777,912
Intra-segment sales	-	-	1,692,122	222,871	1,914,994
Inter-segment sales	120,000	-	-	-	120,000
Segment sales revenue	120,000	2,508,362	2,461,115	1,723,428	6,812,906
Interest & Other income	108,850	-	-	-	108,850
Total segment revenue before elimination	228,850	2,508,362	2,461,115	1,723,428	6,921,756
Reconciliation of segment revenue to group revenue:					
Elimination entries for revenue on consolidation	(214,978)	-	(1,692,122)	(222,871)	(2,129,972)
Total revenue	13,872	2,508,362	768,993	1,500,557	4,791,784
Profit/(loss) with inter-segment charges	(312,555)	(701,671)	1,130,615	(88,555)	27,834
Income tax expense	-	16,647	(16,152)	-	495
Segment result after tax	(312,555)	(685,024)	1,114,463	(88,555)	28,329
Intra-group charges					(1,039)
Total contribution after tax					27,290
Total consolidated assets	13,297,910	1,315,988	458,980	2,178,029	17,250,906
Total consolidated liabilities	157,448	3,075,285	288,028	2,548,578	6,069,340

Notes to the Financial Statements

Note 8. Subsequent Events

There are no matters or circumstances which 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 9. Dividends

No dividend was paid or declared during the reporting period.

Directors' Declaration

In accordance with a resolution of the directors of Techniche Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

K P Jacoby
Director

Brisbane, 27 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF TECHNICHE LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Techniche Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Techniche Limited is not in accordance with the *Corporations Act 2001* including:-

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019, and of its financial performance for the half-year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard

PKF Brisbane Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Techniche Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

27 FEBRUARY 2020
BRISBANE