SenterpriSys Limited

ABN 14 146 845 123

Financial Statements

For the Year Ended 30 June 2019

SenterpriSys Limited

ABN 14 146 845 123

Contents

For the Year Ended 30 June 2019

Chairman's Review

For the Year Ended 30 June 2019

Dear Shareholders

The Company recorded a net profit after tax of $6,008 (2018:$215,881), however the Company does have negative operating cashflows of $276,259 and a small negative working capital position of $34,934 (2018:$1,007,850 deficit).

As Chairman, my Company Rainrose Pty Ltd has signed a letter of support guaranteeing the Company's debts for the next 12 months. We do not anticipate any new capital initiatives to be considered by the Board until the second half FY20.

We are disappointed that the completion of the software has taken longer than anticipated, however, the new version is significantly improved and far more user friendly for small to medium builders and other industries.

FY20 Future Outlook

- Commenced advertising the software through the Housing Industry of Australia (HIA) in August 2019.
- Released the 1st version of "QANOTIX" to HIA members.
- Anticipate growth in take up of the software from external customers in FY20 which should see an increase to sales revenue.
- Release further additional modules to the software in late FY20.

L Mizikovsky

Lev Mizikovsky
Non-executive Chairman

Dated 13 September 2019

Directors' Report
For the Year Ended 30 June 2019

The directors present their report, together with the financial statements of SenterpriSys, being SenterpriSys Limited (the Group) and its controlled entities, for the financial year ended 30 June 2019.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	**Position**
Lev Mizikovsky	Non-Executive Chairman
Rade Dudurovic	Non-Executive Director
Laurie Lefcourt (appointed 20 May 2019)	Non-Executive Director
Michael Fennell	Managing Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company secretaries

The following people held the position of Company secretary at the end of the financial year:

- Mr Geoff Acton ([B.Com, ACA, GAICD])
- Miss Narelle Lynch (Cert Gov (PRAC))

Principal activities and significant changes in nature of activities

The principal activity of SenterpriSys Limited during the financial year was to develop a small enterprise management system for the housing industry and subcontractors which may be commercially saleable in the future.

There were no significant changes in the nature of the Group’s principal activities during the financial year.

Review of operations

The net operating result of the Group amounted to a profit after tax of $6,008 (2018:$215,881).

The business continues to develop small enterprise management systems which may be commercially saleable. The revenue of $586,368 was earnt from continuing to support and maintain the systems of companies for Tamawood Limited, AstiVita Limited and Advance NanoTek Limited. There are no contracts in place and this revenue is earnt on a month by month basis as required by the companies.

Directors' Report

For the Year Ended 30 June 2019

Review of financial position

The net assets of SenterpriSys have increased from $681,082 as at 30 June 2018 to $2,829,843 at 30 June 2019.

As at 30 June 2019 the Group had working capital of ($34,934) (2018:($1,007,850)).

Dividends paid or recommended

No dividends were declared or paid during the financial year.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in SenterpriSys during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

The company continues to work to develop software and related intellectual property with the intention of monetising the resulting software through a licensing structure. The software is designed to be used by residential house builders and subcontractors and provide those businesses with project management software that integrates order processing, delivery, estimating, project management and customer relationship management. The 1st version of the software is currently commercially ready and advertising has commenced through the HIA.

Environmental issues

SenterpriSys's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Options

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Insurance of officers

During the year, SenterpriSys paid a premium to insure the Directors, Secretaries and Officers of the Group and its controlled entities. The liabilities insured exclude any criminal, fraudulent, dishonest or malicious act or omission or improper use of information or position to gain a personal advantage.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

Details of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under terms of the contract.

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Mr L. Mizikovsky	
Qualifications	FAICD
Experience	Lev Mizikovsky is Non-executive Chairman and major shareholder of SenterpriSys. Lev is the founding Director of Tamawood Limited which started in July 1989 and is still a Non-executive Director and major shareholder. Since 1997, Mr Lev Mizikovsky has been a Fellow of the Australian Institute of Company Directors (AICD). He is a substantial shareholder in a number of other Queensland companies including Collection House Limited (CLH), Lindsay Australia Limited (LAU), Advance NanoTek Limited (ANO), Tamawood Limited (TWD) and AstiVita Limited (AIR). Lev is a member of all the Committees.
Mr M. Fennell	
Experience	Michael Fennell brings to Senterprisys his knowledge in his 28 years within the Tamawood Group. Michael has an in-depth knowledge and understanding of software architecture and design, system integration and virtualisation. Michael is a member of all the Committees.
Mr R. Dudurovic	
Qualifications	B Com (Hons), LLB (Hons), MFM
Experience	Rade Dudurovic has an extensive background in private equity with strong exposure to industrial and branded consumer manufacturing and distribution businesses particularly in the Asian region. He has qualifications in commerce and law and is a CPA as well as Senior Fellow of FINSIA. Rade is the Non-executive Director of Advance NanoTek Limited (ANO) and AstiVita Limited (AIR). Rade is a member of all the Committees.
Mrs L. Lefcourt	(appointed 20 May 2019)
Qualifications	GAICD
Experience	Laurie Lefcourt is a Fellow of the Chartered Accountants of Australia and New Zealand, a Chartered Accountant of Ontario, Canada and a Graduate of Australian Institute of Company Directors. Laurie is currently a Non-executive Director and Audit Committee Chair of Advance NanoTek Limited (ANO) and Tamawood Limited (TWD). Laurie has had a long career in senior finance roles in private, public and government organisations and brings a substantial amount of experience in strategy, governance, risk and control to the Board. Laurie is a member of all the Committees.

Company secretaries

Mr Geoff Acton	(B.Com, CA, GAICD) Geoff is a chartered accountant and has a 20 year history with Tamawood in various capacities including Director, Chief Financial Officer, Company Secretary and head of Tamawood’s Renewable Energy Certificates trading business, which Geoff established in 2004.
Miss Narelle Lynch	("Cert Gov Pract")

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Directors' Report

For the Year Ended 30 June 2019

Meetings of directors

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Risk Committee		Nomination & Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr L. Mizikovsky	6	6	2	2	1	1
Mr M. Fennell	6	6	2	2	1	1
Mr R. Dudurovic	6	6	2	2	1	1
Mrs L. Lefcourt (appointed 20 May 2019)	1	2*	-	-	-	-

*attended by invitation

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The total fees to the Group's external auditors, William Buck Audit (Vic) Pty Ltd, for non-audit services during the year ended 30 June 2019 was nil (2018 : Nil).

Remuneration report (audited)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of the key management personnel of the Group, including the Directors, in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Remuneration policy

The performance of the Group depends upon the quality of its key management personnel. To prosper, the Group must attract, motivate and retain highly skilled Directors and other key management personnel.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre key management personnel
- Link executive rewards to shareholder value

Directors' Report

For the Year Ended 30 June 2019

Remuneration report (audited)

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive remuneration is separate and distinct.

Non-executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, and at a remuneration level within market rates.

Structure

No element of Non-executive Director remuneration is directly linked to profit performance. Remuneration is approved at the Annual General Meeting and the proposed cap is $250,000 for the aggregate remuneration of Non-executive Directors. Details of remuneration which is linked to performance is detailed in the service agreement note for key management personnel.

Executives and Other Key Management Personnel

Objective

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Align the interests of Executives with those of shareholders
- Link rewards with the strategic goals of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed executive remuneration;
- Other remuneration such as superannuation and leave entitlements;
- Commission and bonuses payable.
- Share based payments

Directors' Report

For the Year Ended 30 June 2019

Remuneration report (audited)

Remuneration details for the year ended 30 June 2019

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of SenterpriSys.

Table of benefits and payments

	Short term benefits				Post employment	Long term benefits(LSL)	Termination Benefits	
	Cash salary fees & leave	Bonus	Non monetary	Equity settled shares	Superannuation			
Year Ended 30 June 2019	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**TOTAL($)**
Non-executive Directors								
- L Mizikovsky (Non-executive Director)	-	-	-	-	-	-	-	-
- R Dudurovic (Non-executive Director)	-	-	-	-	-	-	-	-
- L Lefcourt (Non-executive Director)	3,333	-	-	-	-	-	-	3,333
Sub-total Non-executive Directors	**3,333**	**-**	**-**	**-**	**-**	**-**	**-**	**3,333**
Executive Directors								
- M Fennell (Managing Director)	184,832	-	13,208	5,000	17,531	-	-	220,571
Sub-total Executive Directors	**184,832**	**-**	**13,208**	**5,000**	**17,531**	**-**	**-**	**220,571**
Total	**188,165**	**-**	**13,208**	**5,000**	**17,531**	**-**	**-**	**223,904**

	Short term benefits				post employment	Long term benefits(LSL)	Termination Benefits	
	Cash salary fees & leave	Bonus	Non monetary	Other	Superannuation			
Year Ended 30 June 2018	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**TOTAL($)**
Non-executive Directors								
- L Mizikovsky (Non-executive Director)	-	-	-	-	-	-	-	-
- R Dudurovic (Non-executive Director)	-	-	-	-	-	-	-	-
Sub-total Non-executive Directors	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Executive Directors								
- M Fennell (Managing Director)	172,310	-	-	-	16,272	-	-	188,582
Sub-total Executive Directors	**172,310**	**-**	**-**	**-**	**16,272**	**-**	**-**	**188,582**
Total	**172,310**	**-**	**-**	**-**	**16,272**	**-**	**-**	**188,582**

Cash performance-related bonuses

None of the key management personnel remuneration paid is performance based (2018: Nil).

Directors' Report

For the Year Ended 30 June 2019

Key management personnel shareholdings

The number of ordinary shares in SenterpriSys Limited held by each key management person of SenterpriSys during the financial year is as follows:

30 June 2019	Balance at beginning of year	Changes prior to consolidation	Balance after consolidation	Other changes during the year	Balance at end of year
Directors					
L Mizikovsky	**59,836,378**	**18,255,550**	**39,045,964**	**405,669**	**39,451,633**
R Dudurovic	**1,070,584**	**100,000**	**585,292**	**-**	**585,292**
L Lefcourt	**-**	**-**	**-**	**-**	**-**
M Fennell	**4,020,840**	**(2,166)**	**2,009,337**	**50,000**	**2,059,337**
	64,927,802	**18,353,384**	**41,640,593**	**455,669**	**42,096,262**

30 June 2018	Balance at beginning of year	Granted as remuneration/ exercise of options during the year	Other changes during the year	Balance at end of year
Directors				
L Mizikovsky	60,156,950	-	(320,572)	59,836,378
R Dudurovic	570,584	-	500,000	1,070,584
M Fennell	4,020,840	-	-	4,020,840
	64,748,374	-	179,428	64,927,802

On 20 September 2018, SenterpriSys undertook a consolidation of its shareholdings on a 2 for 1 basis.

Equity Instruments Granted as Share Based Payment

Details of ordinary shares in the Company, issued as a result of the implementation of the Employee Share Scheme are set below:

Share-based payments	$	Number of shares	Grant date	% vested in period	% forfeited in period	Escrow date
KMP						
M Fennell	5,000	50,000	04/02/2019	-	-	05/02/2021

The shares issued under the plan are subject to a 2-year escrow period from the date of issue. 75% of the shares are also subject to a voluntary escrow arrangement for two years with the NSX.

Directors' Report

For the Year Ended 30 June 2019

Service Agreements

It is the Group's policy that service contracts and employment contracts for key management personnel are open ended, but are capable of termination on two weeks' notice. The Group retains the right to terminate the contract immediately by making payment equal to one month's remuneration in lieu of notice.

On termination, Directors and other key management personnel are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable, except as otherwise approved by the Remuneration Committee.

Unless otherwise stated, service agreements and employment contracts do not provide for predetermined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

End of Remuneration Report

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2019 has been received and can be found on page 10 of the financial report.

This Director's Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

L Mizikovsky

Lev Mizikovsky
Non-executive Chairman

Dated 13 September 2019

William Buck

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

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

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

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

J. C. Luckins
Director

Dated this 13th day of September 2019

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PRAXITY

SenterpriSys Limited

ABN 14 146 845 123

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019 $	2018 $
Revenue	2	**586,368**	606,756
Other income		**-**	11,038
Employee benefits expense		**(166,383)**	(242,768)
Depreciation expense		**(22,206)**	(16,606)
Director fees		**(3,333)**	-
Professional fees		**(237,752)**	(73,348)
Information, communication and technology costs		**(72,643)**	(11,749)
Rent		**(27,649)**	(36,096)
Other expenses		**(81,508)**	(35,316)
(Loss)/Profit before income tax		**(25,106)**	201,911
Income tax benefit	4	**31,114**	13,970
Profit from continuing operations		**6,008**	215,881
Profit for the year		**6,008**	215,881
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**6,008**	215,881

Earnings per share		
Basic earnings per share	0.009 cents	0.19 cents
Diluted earnings per share	0.009 cents	0.19 cents

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

Statement of Financial Position
As At 30 June 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**93,880**	167,695
Trade and other receivables	7	**35,585**	5,673
TOTAL CURRENT ASSETS		**129,465**	173,368
NON-CURRENT ASSETS			
Property, plant and equipment	8	**91,988**	31,721
Deferred tax assets	6	**81,395**	50,281
Intangible assets	9	**2,725,308**	1,631,222
TOTAL NON-CURRENT ASSETS		**2,898,691**	1,713,224
TOTAL ASSETS		**3,028,156**	1,886,592
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	**45,853**	43,471
Provisions	11	**118,537**	111,238
Unearned Income	12	**9**	326,509
Borrowing	13	**-**	700,000
TOTAL CURRENT LIABILITIES		**164,399**	1,181,218
NON-CURRENT LIABILITIES			
Provisions	11	**33,914**	24,292
TOTAL NON-CURRENT LIABILITIES		**33,914**	24,292
TOTAL LIABILITIES		**198,313**	1,205,510
NET ASSETS		**2,829,843**	681,082
EQUITY			
Issued capital	14	**3,009,391**	866,638
Accumulated losses		**(179,548)**	(185,556)
TOTAL EQUITY		**2,829,843**	681,082

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

SenterpriSys Limited

ABN 14 146 845 123

Statement of Changes in Equity

For the Year Ended 30 June 2019

2019

	Note	Ordinary Shares $	Accumulated Losses $	Total $
Balance at 1 July 2018		**866,638**	**(185,556)**	**681,082**
Profit (Loss) for the year		**-**	**6,008**	**6,008**
Transactions with owners in their capacity as owners				
Issue of shares		**2,079,003**	**-**	**2,079,003**
Employee share scheme		**63,750**	**-**	**63,750**
Balance at 30 June 2019		**3,009,391**	**(179,548)**	**2,829,843**

2018

	Note	Ordinary Shares $	Accumulated Losses $	Total $
Balance at 1 July 2017		866,638	(401,437)	465,201
Profit (Loss) for the year		-	215,881	215,881
Transactions with owners in their capacity as owners				
Balance at 30 June 2018		866,638	(185,556)	681,082

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

SenterpriSys Limited

ABN 14 146 845 123

Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**310,251**	760,288
Payments to suppliers and employees		**(591,946)**	(437,118)
Interest received		**5,436**	1,470
Net cash provided by/(used in) operating activities	15	**(276,259)**	324,640
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capitalised software development costs		**(1,094,086)**	(890,060)
Purchase of property, plant and equipment		**(82,473)**	(15,369)
Net cash provided by/(used in) investing activities		**(1,176,559)**	(905,429)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**2,079,003**	-
Proceeds (repayment of) / from borrowings		**(700,000)**	700,000
Net cash provided by/(used in) financing activities		**1,379,003**	700,000
Net increase/(decrease) in cash and cash equivalents held		**(73,815)**	119,211
Cash and cash equivalents at beginning of year		**167,695**	48,484
Cash and cash equivalents at end of financial year		**93,880**	167,695

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the Year Ended 30 June 2019

This financial report covers the consolidated financial statements and notes of SenterpriSys Group and Controlled Entities (the 'Group'). SenterpriSys Group is a for profit Company incorporated and domiciled in Australia and whose shares are publicly traded on the National Stock Exchange of Australia.

The financial statements were authorised for issue by the Board of Directors on 13 September 2019.

1 Notes to the Financial Statements

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements, except for the cashflow information, have been prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

A list of subsidiaries is contained in Note 17 to the financial statements.

(c) Going concern

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. For the year ended 30 June 2019 the consolidated entity earned a net profit of $6,008 (2018: profit $215,881). Net cash outflows from operating, activities for the current year totalled $276,259 (2018: Net inflows of $324,640). As at 30 June 2019 the consolidated entity had net tangible assets of $23,241 (2018: net tangible liabilities of $1,000,421).

The Group's ability to continue as a going concern is dependent on its ability to reverse the currently occurring operating losses by restructuring operations, increasing sales, and, if necessary, obtaining replacement debt or equity funding. Rainrose Pty Ltd, a related party has advanced NIL (2018: $700,000). Rainrose Pty Ltd has confirmed it will continue to support the Group and advance further funds in 2020 if required and has provided a letter of support to the Company.

The Group's ability to continue as a going concern is dependent on the on-going support of its creditors and related parties.

(d) Economic dependence

SenterpriSys Limited is dependent on the related parties for the majority of its revenue used to operate the business. At the date of this report the directors have no reason to believe the related parties will not continue to support SenterpriSys Limited.

(e) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

1 Notes to the Financial Statements

(f) Property, plant and equipment

Plant and equipment

Plant and equipment are measured using the cost model. Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

The depreciable amount of all property, plant and equipment is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Motor Vehicles	28.57%
Property, Plant & Equipment	20 - 50%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

(g) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

1 Notes to the Financial Statements

(g) Financial instruments

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the consolidated statement of profit or loss and other comprehensive income line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities depending on the purpose for which the liability was acquired.

The Group‘s financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

1 Notes to the Financial Statements

(g) Financial instruments

Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(h) Intangibles

Work in progress - software development

The development of the software and related modules comprises a number of phases including initial development, testing processes, customer trials and feedback until it is shelf ready and commercially viable for sale.

The costs are capitalised to software development and once the products are fully approved, they will be transferred to software assets.

The expenditure completed includes the cost of materials and direct labour that are directly attributed to preparing the asset for its intended use.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

1 Notes to the Financial Statements

(j) Employee benefits

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

Employee benefits expected to be settled more than twelve months after the end of the reporting period 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. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(k) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- Taxable temporary differences arising on the initial recognition of goodwill.

- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

1 Notes to the Financial Statements

(k) Income Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(l) Revenue and other income

Revenue is recognised when it is highly probable that a significant reversal will not occur.

Maintenance and IT support

Revenue for maintenance and IT support is recognised over time as the services are reduced based on either a fixed price or hourly rate. Invoices are paid on named control terms.

(m) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1 Notes to the Financial Statements

(n) Share based payments

The Group operates on equity-settled share based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense immediately with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price.

An Employee Share Plan ('Plan') has been established to enable officers, staff and contractors to participate in the capital growth of the Company. The Group follows this by allowing all Eligible Employees of the Group to be issued shares in the Company.

Offer to participate - The Board may, from time to time, at its absolute discretion, issue written offers to eligible employees, inviting them to accept shares in the Company ('Offer'). The Board must make Offers on a non-discriminatory basis to at least 75% of Australian-resident permanent employees who have completed at least 3 years of service (whether continuous or non-continuous) with the Group

Restriction on disposal - A participant may not dispose of, deal in, or grant a security interest over, any interest in a share issued under the Plan until the earlier of

- the end of the period of three years commencing on the date of the issue of that share
- the date on which the participant is no longer employed by a Group company; and
- the end of any other period determined by the Board in accordance with relevant law.

Shares to rank pari passu - Shares issued under the Plan will rank equally in all respects with ordinary shares in the company for the time being on issue except for any rights attached to the shares by reference to a record date prior to the date of issue.

The Plan is in compliance with the Corporations Act and Listing Rules of NSX as amended or waived from time to time.

(o) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1 Notes to the Financial Statements

(p) Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - development costs

Development expenditure incurred on an individual project is carried forward (capitalised) when management considers that its future recoverability can reasonably be regarded as assured.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets recognition criteria listed above. Where no internally generated intangible asset can be recognised, expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

1 Notes to the Financial Statements

(q) Adoption of new and revised accounting standards

The Company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies and consider making retrospective adjustments as a result of adopting the following standards:

AASB 9: Financial Instruments, and

AASB 15: Revenue from Contracts with Customers.

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 1(n). Company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board ("AASB"), that are relevant to its operations and effective for the current period. The adoption of these standards did not have any impact on the current period, or any prior period, and is not likely to affect future periods.

(r) Impact of New Standards Issued Applied by the Group

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitles in exchange for transferring goods or services to a customer.

Revenue accounting policy – rendering of services

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

AASB 9 Financial Instruments

The group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash owes represent 'solely payments of principal and interest' on the principal amount outstanding (the SPPI criterion). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative.

1 Notes to the Financial Statements

(r) Impact of New Standards Issued Applied by the Group

Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instrument that had not been derecognised as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Cash and cash equivalents and trade and other receivables which were previously classified as loans and receivables, are now classified as financial assets at amortised cost, from 1 July 2018. The change in classification has not resulted in any re-measurement adjustments at 1 July 2018.

(s) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 16 Leases	1 July 2019	Significant revisions to accounting for operational leases on balance sheet by Lessees of property and high value equipment. However, exemptions for short-term leases and leases of low value assets will reduce the impact.	The entity will be required to recognise a right of use asset and lease liability for its operating leases of premises.
AASB Interpretation 23	1 July 2019	Clarifies the application of the recognition and measurement criteria in AASB112 Income Taxes where there is uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position.	Adoption is not expected to have a material impact on the group but will depend on the facts and circumstances each year.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Revenue and Other Income

Revenue from continuing operations

	2019	2018
	$	$
Revenue from contracts with customers		
- Rendering of services	**580,932**	605,286
Other revenue		
- interest received	**5,436**	1,470
Total revenue	**586,368**	606,756

3 Result for the Year

The result for the year was derived after charging / (crediting) the following items:

	2019	2018
	$	$
The result for the year includes the following specific expenses:		
Employee benefit expenses:		
Superannuation contributions	**12,472**	10,379
Other employee benefits	**153,913**	232,389
Rental expense on operating leases:		
- Minimum lease payments	**29,664**	36,096

Notes to the Financial Statements

For the Year Ended 30 June 2019

4 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

	2019	2018
	$	**$**
Current tax expense		
Current tax	**-**	-
Adjust recognised for current tax of prior periods	**-**	-
Deferred tax expense		
Relating to the origination and reversal of temporary differences	**(31,114)**	(13,970)
Income tax benefit for continuing operations	**(31,114)**	(13,970)

(b) Reconciliation of income tax to accounting profit:

	2019	2018
	$	**$**
Profit (Loss)	**(25,106)**	201,911
Tax	**30.00%**	30.00%
	(7,532)	60,573
Add / (less) tax effect of:		
- Permanent differences	**-**	(73,309)
- Under / Overs	**-**	(1,234)
- Other items	**(23,582)**	-
Income tax benefit	**(31,114)**	(13,970)

5 Dividends

Franking account

	2019	2018
	$	$
Balance of franking account at year end	**18,881**	18,881
Adjusted for franking credits arising from:		
Payment of provision for income tax	**-**	-
Franking credits available for subsequent financial years	**18,881**	18,881

The above available balance is based on the dividend franking account at year-end adjusted for:

(a) Franking credits that will arise from the payment of the current tax liabilities;

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

6 Tax

(a) Current Tax Liabilities

	2019	2018
	$	$
Current tax liabilities	**-**	-
	-	-

6 Tax

(b) Deferred Tax Assets

	Opening Balance $	Charged to Income $	Closing Balance $
Deferred tax assets			
Provisions - employee benefits	27,252	13,407	40,659
Accruals	1,816	482	2,298
Intangibles	4,962	295	5,257
Other	2,290	(223)	2,067
Balance at 30 June 2018	36,320	13,961	50,281
Provisions - employee benefits	**40,659**	**5,076**	**45,735**
Employee benefits	**2,298**	**(24)**	**2,274**
Intangibles	**5,257**	**5,913**	**11,170**
Other	**2,067**	**20,149**	**22,216**
Balance at 30 June 2019	**50,281**	**31,114**	**81,395**

(c) Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following:

	2019 $	2018 $
Non-refundable research and development offset	**326,937**	228,999

Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which SenterpriSys Limited can utilise the benefits therein.

7 Trade and Other Receivables

	2019 $	2018 $
CURRENT		
Trade receivables	**17,701**	5,673
Other receivables	**17,884**	-
Total current trade and other receivables	**35,585**	5,673

Notes to the Financial Statements

For the Year Ended 30 June 2019

8 Property, plant and equipment

	2019	2018
	$	$
Motor vehicles		
At cost	**22,746**	22,746
Accumulated depreciation	**(17,291)**	(15,109)
Total motor vehicles	**5,455**	7,637
Office equipment		
At cost	**18,335**	18,335
Accumulated depreciation	**(9,411)**	(6,919)
Total office equipment	**8,924**	11,416
Computer equipment		
At cost	**124,590**	42,118
Accumulated depreciation	**(46,981)**	(29,450)
Total computer equipment	**77,609**	12,668
Total property, plant and equipment	**91,988**	31,721

(a) Movements in carrying amounts of property, plant and equipment

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

	Motor Vehicles	Office Equipment	Computer Equipment	Total
	$	$	$	$
Year ended 30 June 2019				
Balance at the beginning of year	**7,637**	**11,416**	**12,668**	**31,721**
Additions	**-**	**-**	**82,473**	**82,473**
Disposals	**-**	**-**	**-**	**-**
Depreciation expense	**(2,182)**	**(2,492)**	**(17,532)**	**(22,206)**
Balance at the end of the year	**5,455**	**8,924**	**77,609**	**91,988**

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Motor Vehicles	Office Equipment	Computer Software	Total
	$	$	$	$
Year ended 30 June 2018				
Balance at the beginning of year	10,696	8,628	13,634	32,958
Additions	-	5,216	10,153	15,369
Depreciation expense	(3,059)	(2,428)	(11,119)	(16,606)
Balance at the end of the year	7,637	11,416	12,668	31,721

9 Intangible Assets

	2019	2018
	$	$
Computer software WIP	**2,725,308**	1,631,222
Accumulated amortisation and impairment	**-**	-
Net carrying value	**2,725,308**	1,631,222
Total Intangibles	**2,725,308**	1,631,222

(a) Movements in carrying amounts of intangible assets

	Computer software WIP	Total
	$	$
Year ended 30 June 2019		
Balance at the beginning of the year	**1,631,222**	**1,631,222**
Additions - internally generated WIP	**1,094,086**	**1,094,086**
Closing value at 30 June 2019	**2,725,308**	**2,725,308**

	Computer software WIP	Total
	$	$
Year ended 30 June 2018		
Balance at the beginning of the year	741,162	741,162
Additions - internally generated WIP	890,060	890,060
Closing value at 30 June 2018	1,631,222	1,631,222

Notes to the Financial Statements

For the Year Ended 30 June 2019

10 Trade and Other Payables

	2019 $	2018 $
Current		
Unsecured liabilities		
Trade payables	**31,359**	16,290
Sundry payables and accrued expenses	**14,495**	27,181
	45,854	43,471

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

11 Provisions

	2019 $	2018 $
CURRENT		
Annual leave	**73,811**	70,878
Long service leave	**44,726**	40,360
	118,537	111,238
NON-CURRENT		
Long service leave	**33,914**	24,292
	33,914	24,292

12 Deferred income

	2019 $	2018 $
CURRENT		
Deferred income	**9**	326,509
	9	326,509

13 Borrowings

	2019 $	2018 $
CURRENT		
Borrowings	**-**	700,000
	-	700,000

Notes to the Financial Statements

For the Year Ended 30 June 2019

14 Issued Capital

	2019 $	2018 $
71,004,912 (2018: 110,956,507) Ordinary shares	**3,009,391**	866,638
	3,009,391	866,638

(a) Ordinary shares

	2019 No.	2018 No.	2019 $	2018 $
At the beginning of the reporting period	**110,956,507**	110,206,507	866,638	866,638
Employee share scheme	**637,500**	-	63,750	-
Share issued during the year	**23,426,545**	750,000	2,079,003	-
Shares consolidation 2 for 1	**(64,015,640)**	-	-	-
At the end of the reporting period	**71,004,912**	110,956,507	3,009,391	866,638

On 20 September 2018, SenterpriSys undertook a consolidation of its shareholdings on a 2 for 1 basis.

Shares issued under the employee share scheme are based on the fair value of the equity instruments which approximates the share price at issue date.

(b) Capital Management

Capital of the Company is managed in order to safeguard the ability of the company to continue as a going concern, so that the company can continue to develop its business and generate returns for shareholders.

The Company’s capital comprises of shareholders equity and retained earnings.

There are no externally imposed capital requirements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

15 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2019 $	2018 $
Profit for the year	**6,008**	215,881
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**22,206**	16,606
- employee share scheme expense	**63,750**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(29,912)**	(2,923)
- (increase)/decrease in deferred tax asset	**(31,114)**	(13,961)
- increase/(decrease) in income in advance	**(326,500)**	69,009
- increase/(decrease) in trade and other payables	**2,382**	(4,652)
- increase/(decrease) in income taxes payable	**-**	(9)
- increase/(decrease) in provisions	**16,921**	-
- increase/(decrease) in employee benefits	**-**	44,689
Cashflows from operations	**(276,259)**	324,640

16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2019 (30 June 2018:None).

17 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2019	Percentage Owned (%)* 2018
Subsidiaries:			
RR&D Pty Ltd	Brisbane, Australia	**100**	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.
This company is dormant for the year ended 30 June 2019 (2018: dormant).

Notes to the Financial Statements

For the Year Ended 30 June 2019

18 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Company's objectives, policies and processes for managing and measuring these risks. The Company does not speculate in financial assets.

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Trade and other payables

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Funding for short and long-term liquidity needs is additionally available through related parties.

The Company's liabilities are current and are either expected to be settled with in normal trade terms (i.e., 30 days) or are at call liabilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Trade receivables are recorded with related parties.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Market risk

The company exposures to market risk is limited to cash on deposit with Australian banks. Cash is deposited in floating rate, at-call accounts, where the risk of changes in interest rates affecting future cash flows is not considered material.

Notes to the Financial Statements

For the Year Ended 30 June 2019

19 Related Parties

The Company's main related parties are as follows:

- Tamawood Limited and its controlled entities;
- Lev Mizikovsky (director) and Rainrose Pty Ltd;
- Michael Fennell (director);
- Rade Dudurovic (director);
- Laurie Lefcourt (director);
- Geoff Acton (company secretary) and G&S Quality Systems Pty Ltd;
- Advance NanoTek Limited;
- AstiVita Limited;
- CyberGuardAU Pty Ltd; and
- Winothai Pty Ltd.

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

(b) Transactions with related parties

(i) Sales of goods

	2019	2018
	$	$
Astivita Limited		
- Sales to Astivita for IT Services	**30,288**	**30,000**
Advance NanoTek Limited		
- Sales to Advance NanoTek for IT Services	**24,288**	**-**
Tamawood Limited		
- Sales to Tamawood Limited for IT Services	**526,356**	**575,286**
CyberGuardAU Pty Ltd		
- Sales to CyberGuardAU for IT Services	**1,149**	**-**

(ii) Purchase of goods and services

	2019	2018
	$	$
Tamawood Limited		
- Rental of premises & related occupancy costs	**26,974**	34,931
- Other administration costs	**9,415**	9,266
CyberGuardAU Pty Ltd		
- Other administration costs	**85,071**	**-**
Whinothai Pty Ltd		
- Professional fees	**7,325**	**-**

20 Key Management Personnel Remuneration

The total of remuneration paid to the key management personnel of SenterpriSys Limited during the year are as follows:

	2019	2018
	$	**$**
Short-term employee benefits	**201,373**	172,310
Post employment benefits	**17,531**	16,272
Share based payments	**5,000**	-
	223,904	188,582

Key management personal shareholdings

The number of ordinary shares in Senterprisys Limited held by each key management person of Senterprisys Limited during the financial year is as follows:

30 June 2019	Balance at beginning of year	Changes prior to consolidation	Balance after consolidation	Other changes during the year	Balance at end of year
Directors					
L Mizikovsky	**59,836,378**	**18,255,550**	**39,045,964**	**405,669**	**39,451,633**
R Dudurovic	**1,070,584**	**100,000**	**585,292**	**-**	**585,292**
L Lefcourt	**-**	**-**	**-**	**-**	**-**
M Fennell	**4,020,840**	**(2,166)**	**2,009,337**	**50,000**	**2,059,337**
	64,927,802	**18,353,384**	**41,640,593**	**455,669**	**42,096,262**

30 June 2018	Balance at beginning of year	Granted as remuneration/ exercise of options during the year	Other changes during the year	Balance at end of year
Directors				
L Mizikovsky	60,156,950	-	(320,572)	59,836,378
R Dudurovic	570,584	-	500,000	1,070,584
M Fennell	4,020,840	-	-	4,020,840
	64,748,374	-	179,428	64,927,802

On 20 September 2018, SenterpriSys undertook a consolidation of its shareholdings on a 2 for 1 basis.

Notes to the Financial Statements

For the Year Ended 30 June 2019

21 Auditors' Remuneration

	2019	2018
	$	$
Remuneration of the auditor [William Buck Audit (VIC) Pty Ltd], for:		
- auditing the financial statements	**15,000**	11,000
	15,000	11,000

22 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

23 Company Details

The registered office and principle place of business of the company is:

SenterpriSys Limited

15 Suscatand Street

Rocklea, QLD 4106

24 Earnings per Share

(a) Earnings used to calculate overall earnings per share

	2019	2018
Profit attributable to members of the parent entity used in the calculation of basic and diluted EPS	**6,008**	215,881

(b) Weighted average number of shares used

	2019	2018
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	**66,047,498**	110,581,507

Directors' Declaration

30 June 2019

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and:

    a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Managing Director has given the declarations required by Section 295A that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view.

3. 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.

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

Lev Mizikovsky
Non-executive Chairman

Dated 13 September 2019

SenterpriSys Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SenterpriSys Limited. (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which indicates that the Company's current liabilities exceeded its current assets by $34,934. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

RELATED PARTY TRANSACTIONS	
Area of focus **Refer also to Remuneration report on page 5 to 9 and Notes 1 (b) and (c) and Note 19**	**How our audit addressed it**
The Company conducted material related party transactions with entities where key management personnel have interests and/or are directors. As such, there is a risk that not all related party transactions are disclosed in the financial report or that related party transactions have been made on non-arm's length basis. This could result in insufficient information being provided in order to enable the reader to understand the nature and effect of the various related party relationships and transactions.	Our audit procedures included: Assessment of the Company's controls to identify and disclose related party transactions and transactions in accordance with the relevant accounting standards and the *Corporations Act 2001*; Comparing the list of related parties provided by the directors with internal sources; Conducting an ASIC search for external directorships held by the Board members to evaluate whether all related party relationships and transactions had been appropriately identified and disclosed; and Assessing whether related party transactions were conducted at arms-length by comparing the basis of the transactions to external sources. For each class of related party transaction, we compared the financial statement disclosures against the underlying transactions and the accounting and *Corporations Act 2001* requirements

CARRYING VALUE OF INTANGIBLES	
Area of focus **Note 9**	**How our audit addressed it**
The company continued to invest in the software development of its small enterprise management systems for the housing industry and subcontractors and capitalised $1,094,086 for the year ended 30 June 2019. Valuation, capitalisation and impairment testing of the capitalised software development costs required critical estimations and judgements of those charged with governance to accurately account for the intangible assets of the company.	Our audit procedures included: Reviewing internal management documentation and accounting policy in respect of development costs; and Assessing whether intangible assets were eligible for capitalisation by examining and re-calculating the remuneration of employees conducting work on their software development as well as the nature of the asset and assessing the extent of impairment of intangible assets. We also assessed the adequacy of the Company's financial statement disclosures.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

William Buck

Auditor’s Responsibilities for the Audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of SenterpriSys Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

William Buck

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

J. C. Luckins
Director

Melbourne, 13th September 2019

Additional Shareholder Information

For the Year Ended 30 June 2019

NSX Additional Information

Additional information required by the NSX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 28 August 2019.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Voting rights

Ordinary Shares

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

Options

No voting rights.

Distribution of equity security holders

	Ordinary shares	
Holding	**No. of holders**	**No. of shares**
1 - 1,000	290	151,881
1,001 - 5,000	387	1,048,606
5,001 - 10,000	96	697,428
10,001 - 100,000	91	2,325,216
100,001 and over	42	66,781,781
	906	71,004,912

Corporate Governance Statement

30 June 2019

The objective of the Board of SenterpriSys Limited ("SenterpriSys") is to create and deliver long term shareholder value through a range of diversified but interrelated activities around software development.

The company's charters, committees and corporate governance principles are on our website www.senterprisys.com

Additional Shareholder Information

For the Year Ended 30 June 2019

Twenty largest shareholders

	Ordinary shares	
Holding	**No. of shares**	**Percentage**
POLTICK PTY LTD	25,005,593	35.22
TAMAWOOD LIMITED	16,425,884	23.13
SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C>	8,126,661	11.44
RAINROSE PTY LTD	3,850,000	5.43
NOWCASTLE PTY LTD	2,458,379	3.46
MR MICHAEL WILLIAM FENNELL + MRS TANIA MAREE FENNELL <FENNELL FAMILY A/C>	1,550,001	2.18
MIZI SUPERANNUATION PTY LTD <MIZI SUPER FUND A/C>	1,089,335	1.53
IAN HENDERSON	702,187	0.99
IAN HENDERSON + MARIAN ELIZABETH HENDERSON <THE SCOTSTOUN SUPERFUND A/C>	547,813	0.77
M & T FENNELL SUPER FUND PTY LTD <THE M & T SUPER FUND A/C>	500,000	0.70
MR TIMOTHY MARK BARTHOLOMAEUS	468,125	0.66
ROBERT PATRICK LYNCH	468,125	0.66
RIPELAND PTY LTD	376,347	0.53
MR RADE DUDUROVIC + MRS JACQUELINE JEANETTE DUDUROVIC <R&J SUPERANNUATION FUND A/C>	350,840	0.49
MR ROBERT LYNCH + MRS SINEAD LYNCH <R & S LYNCH S/F A/C>	350,000	0.49
ANDREW THOMAS	280,000	0.39
MR ANDREW BARRY THOMAS	275,000	0.39
PASSLOW SUPER PTY LTD <PASSLOW SUPER FUND A/C>	257,500	0.36
MR TIMOTHY MARK BARTHOLOMAEUS + MS PATRESE CAROLINE BARTHOLOMAEUS <BART INC FAMILY A/C>	250,000	0.35
ANDREW B THOMAS PTY LTD <AB THOMAS SUPERFUND A/C>	242,500	0.34
	63,574,290	**89.54**