

SenterpriSYS Limited

ABN 14 146 845 123

Financial Statements

For the Year Ended 30 June 2023

SenterpriSYS Limited

ABN 14 146 845 123

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For the Year Ended 30 June 2023

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Executive Chairman's Letter

For the Year Ended 30 June 2023

The Company recorded a net loss of \$65,342 (FY22 net loss: \$123,342). The Company has a negative working capital position of \$75,760 (FY22 negative working capital: \$215,030).

FY23 Commentary

- FY23 was a critically important year for Project DeRisk. Extensive use of AI allowed us to identify numerous opportunities to enhance our software and resolve some of the fundamental issues affecting our ability to market Project DeRisk.
- The importance of AI on our ability to improve and stabilise our software is profound in particular by allowing us to increase productivity, with a 58% reduction in payroll, while being able to resolve numerous outstanding issues. Contemporaneously we were able to eliminate use of external developers, minimising issues with component integration.
- The result was negatively impacted by the reduction in activity by our largest customer, Tamawood Limited, however, there has been an increase in activity in the first quarter of FY24.
- We are in the process of finalising ISO9001:2016 Quality Assurance Certification, expected to be completed in early 2024.
- Rainrose Pty Ltd, an entity controlled by me, has confirmed it will continue to support the Company and advance further funds during FY24 if required and has provided a letter of support to SenterpriSYS Limited ("SPS").

SPS Performance since 2019

	2019	2020	2021	2022	2023
Revenue	\$586,368	\$709,979	\$1,015,169	\$959,843	\$789,251
Employee Expense*	\$166,383	\$243,618	\$454,757	\$401,807	\$165,688
Profit (Loss) After Tax	\$6,008	\$142,878	\$288,418	(\$123,342)	(\$65,342)
EPS	0.009¢	0.002¢	0.004¢	(0.001¢)	(0.001¢)
Share Price as at 30 June	17¢	7¢	3¢	5¢	5¢

*not capitalised as research & development

FY24 Outlook

- The focus now is on re-releasing and marketing Project DeRisk with its improved performance.
- Linking QANOTIX quality assurance registers to the Project DeRisk project management software.
- Replacing current accounting functions with QuickBooks integration.
- Modifying Project DeRisk and QANOTIX to allow their use across multiple industries and languages.
- Offer QANOTIX templates / reports to businesses operating in a broad range of industries who are seeking ISO9001 Quality Assurance Certification, with the added ability to select a number of languages.



Lev Mizikovsky
Executive Chairman

Dated: 13 September 2023

Directors' Report

For the Year Ended 30 June 2023

The directors present their report, together with the consolidated financial statements of the Company, being SenterpriSYS Limited ("SenterpriSYS" the "Company" or the "Group") and its controlled entities, for the financial year ended 30 June 2023.

Directors

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

Names	Position
Lev Mizikovsky	Executive Chairman
Rade Dudurovic	Non-executive Director and Chair of the Audit Committee
Laurie Lefcourt (Resigned 16 November 2022)	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 person held the position of Company secretary at the end of the financial year:

Geoff Acton ([B.Com, ACA, GAICD])

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 project management and quality control software ("Software") suitable for multiple industries including the housing construction sector which may be commercially saleable in the future.

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

Operating results and review of operations for the year

The Group achieved an operating loss after tax of \$65,342 for the year ended 30 June 2023 (FY22 net loss: \$123,342). The revenue of \$786,407 was derived from continuing to provide support and maintenance for IT systems of Tamawood Limited and Advance ZincTek Limited as well as licensing fees for the use of the Software by Tamawood Limited. There are no contracts in place and this revenue is derived on a month-by-month basis as the services of the Company are required by these businesses.

SenterpriSYS has commenced marketing the Software and a number of third-party enquiries have been generated.

Review of financial position

The net assets of SenterpriSys have decreased from \$3,843,223 as at 30 June 2022 to \$3,782,221 as at 30 June 2023. Please refer to the Executive Chairman's letter on page 1 for further commentary.

As at 30 June 2023 the Group had negative working capital of \$75,760 (FY22 negative working capital: \$215,030).

Rainrose Pty Ltd, an entity controlled by the Executive Chairman, Mr Lev Mizikovsky, has provided a letter of support guaranteeing the Company's obligations for the next twelve months.

Directors' Report

For the Year Ended 30 June 2023

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 Group has completed the key modules for Project DeRisk and is now actively pursuing sales from external users, primarily focusing on the residential building industry. Continued improvements to the Company website should generate increased enquiries.

Environmental matters

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 end of this report.

Insurance of officers

During the year, the Company 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.

Proceedings on behalf of the company

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

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Directors' Report

For the Year Ended 30 June 2023

Information on directors

Lev Mizikovsky

Qualifications

Experience

FAICD

Lev Mizikovsky is 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 (FAICD). He is a substantial shareholder in a number of other Queensland companies including Lindsay Australia Limited, Advance ZincTek Limited, Tamawood Limited and Veganic SKN Limited

Rade Dudurovic

Qualifications

Experience

B Com (Hons), LLB (Hons)

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 a Non-executive Director of Advance ZincTek Limited and Veganic SKN Limited.

Michael Fennell

Experience

Michael Fennell brings to SenterpriSYS extensive experience given his 30+ years within the Tamawood Group. Michael has detailed knowledge and understanding of the Software architecture and design, system integration and virtualisation

Company secretaries

Geoff Acton

Qualifications

Experience

B.Com, CA, GAICD

Geoff Acton is a chartered accountant and has more than 20 years of history with the Tamawood Group including Director, Chief Financial Officer and Company Secretary. Further, he has an in-depth knowledge of the renewable energy sector as head of the successful Renewable Energy Certificate trading business established in 2004. He is Managing Director of Advance ZincTek Limited.

Narelle Lynch

Qualifications

Experience

Cert (Gov Prac)

Narelle Lynch was appointed joint Company Secretary on 9 November 2018. She is also joint Company Secretary of Tamawood Limited and Advance ZincTek Limited

Directors' Report

For the Year Ended 30 June 2023

Meetings of directors

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Risk Committee		Remuneration Committee		Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Lev Mizikovsky	6	6	2	2	1	1	1	1	1	1
Rade Dudurovic	6	6	2	2	1	1	1	1	1	1
Michael Fennell	6	6	0	2*	1	1	0	1*	0	1*
Laurie Lefcourt (resigned 16/11/22)	2	1	1	1	-	-	-	-	-	-

*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 2023 was nil (2022: Nil).

Directors' Report

For the Year Ended 30 June 2023

Remuneration report (audited)

This remuneration report for the year ended 30 June 2023 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

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; and
- Commission and bonuses payable.

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Directors' Report For the Year Ended 30 June 2023

Remuneration report (audited)

Remuneration details for the year ended 30 June 2023

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

2023	Cash salary fees & Leave \$	Short term Benefits			Equity settled shares \$	Post employment Superannuation	Long term Benefits (LSL)	Termination Benefits	\$
		Bonus \$	Non monetary \$						
Non-executive Directors									
R Dudurovic (Non-executive Director)	21,167	-	-	-	-	-	-	-	21,167
L Lefcourt (Non-executive Director) (resigned 16/11/22)	10,000	-	-	-	-	-	-	-	10,000
Sub-total Non-executive Directors	31,167	-	-	-	-	-	-	-	31,167
Executive Directors									
Lev Mizikovsky (Executive Chairman)	-	-	-	-	-	-	-	-	-
Michael Fennell (Managing Director)	195,434	-	-	-	-	17,505	2,730	-	216,669
Sub-total Executive Directors	195,434	-	-	-	-	17,505	2,730	-	216,669
Total	226,601	-	-	-	-	17,505	2,730	-	246,836

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**Directors' Report
For the Year Ended 30 June 2023**

Remuneration report (audited)

Remuneration details for the year ended 30 June 2023

	Short term Benefits			Equity settled shares	Post employment Superannuation	Long term Benefits (LSL)	Termination Benefits
	Cash salary fees & Leave	Bonus	Non monetary				
2022	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors							
R Dudurovic (Non-executive Director)	20,000	-	-	-	-	-	20,000
L Lefcourt (Non-executive Director)	20,000	-	-	-	-	-	20,000
Sub-total Non-executive Directors	40,000	-	-	-	-	-	40,000
Executive Directors							
Lev Mizikovsky (Executive Chairman)	-	-	-	-	-	-	-
Michael Fennell (Managing Director)	181,814	-	-	-	15,929	2,730	200,473
Sub-total Executive Directors	181,814	-	-	-	15,929	2,730	200,473
	221,814	-	-	-	15,929	2,730	240,473

Cash performance related bonuses

None of the key management personnel remuneration paid in 2023 was performance based (2022: Nil).

Directors' Report

For the Year Ended 30 June 2023

Remuneration report (audited)

Key management personnel shareholdings

	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year
30 June 2023					
Directors					
Lev Mizikovsky	59,375,474	-	-	37,458	59,412,932
Rade Dudurovic	589,876	-	-	-	589,876
Michael Fennell	2,061,530	-	-	20,000	2,081,530
Laurie Lefcourt (resigned 16/11/22)	4,334	-	-	(4,334)	-
	62,031,214	-	-	53,124	62,084,338
	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year
30 June 2022					
Directors					
Lev Mizikovsky	59,375,474	-	-	-	59,375,474
Rade Dudurovic	589,876	-	-	-	589,876
Laurie Lefcourt	4,334	-	-	-	4,334
Michael Fennell	2,061,530	-	-	-	2,061,530
	62,031,214	-	-	-	62,031,214

Directors' Report

For the Year Ended 30 June 2023

Remuneration report (audited)

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 Audited 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 2023 has been received and can be found on page 11 of the financial report.

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



Lev Mizikovsky
Executive Chairman

Dated: 13 September 2023

**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 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

J. C. Luckins

J. C. Luckins
Director

Melbourne, 13 September 2023

Directors' Declaration

For the Year Ended 30 June 2023

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2023 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated 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. 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
Executive Chairman

Dated: 13 September 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

		2023	2022
	Note	\$	\$
Revenue	2	786,407	959,843
Other revenue	2	2,844	-
Employee benefits expense		(165,688)	(401,807)
Depreciation and amortisation expense		(330,714)	(285,914)
Director fees		(30,166)	(40,000)
Professional fees		(146,341)	(185,343)
Information, communication and technology costs		(98,569)	(118,045)
Rent		(16,758)	(21,510)
Other operating expenses		(28,505)	(38,722)
Profit (loss) before income tax		(27,490)	(131,498)
Income tax benefit / (expense)	3	(37,852)	8,156
Profit (loss) from continuing operations		(65,342)	(123,342)
Profit (loss) for the year		(65,342)	(123,342)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(65,342)	(123,342)
Earnings per share			
Basic earnings per share	23	(0.001) cents	(0.001) cents
Diluted earnings per share	23	(0.001) cents	(0.001) cents

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

Consolidated Statement of Financial Position

As At 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		17,301	33,114
Trade and other receivables	6	14,551	42,479
TOTAL CURRENT ASSETS		31,852	75,593
NON-CURRENT ASSETS			
Property, plant and equipment	7	11,490	17,435
Deferred tax assets	5	58,381	96,232
Intangible assets	8	4,938,673	4,600,946
TOTAL NON-CURRENT ASSETS		5,008,544	4,714,613
TOTAL ASSETS		5,040,396	4,790,206
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	35,100	125,832
Provisions	10	72,512	164,782
Unearned Income	11	-	9
TOTAL CURRENT LIABILITIES		107,612	290,623
NON-CURRENT LIABILITIES			
Provisions	10	43,558	50,015
Borrowings	12	1,106,345	606,345
TOTAL NON-CURRENT LIABILITIES		1,149,903	656,360
TOTAL LIABILITIES		1,257,515	946,983
NET ASSETS		3,782,881	3,843,223
EQUITY			
Issued capital	13	3,719,817	3,714,817
Retained earnings		63,064	128,406
TOTAL EQUITY		3,782,881	3,843,223

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

2023

	Ordinary Shares	Retained Earnings / (Accumulated Losses)	Total
	\$	\$	\$
Balance at 1 July 2022	3,714,817	128,406	3,843,223
Profit (Loss) for the year	-	(65,342)	(65,342)
Transactions with owners in their capacity as owners			
Shares issued under employee share scheme	5,000	-	5,000
Balance at 30 June 2023	3,719,817	63,064	3,782,881

2022

	Ordinary Shares	Retained Earnings / (Accumulated Losses)	Total
	\$	\$	\$
Balance at 1 July 2021	3,714,817	251,748	3,966,565
Profit (Loss) for the year	-	(123,342)	(123,342)
Transactions with owners in their capacity as owners			
Balance at 30 June 2022	3,714,817	128,406	3,843,223

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2023

		2023	2022
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (including GST)		873,192	1,030,886
Payments to suppliers and employees (including GST)		(728,350)	(767,256)
Interest received		1,842	635
Net cash provided by/(used in) operating activities	14	146,684	264,265
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		-	5,141
Capitalised software development costs		(662,497)	(582,360)
Purchase of property, plant and equipment		-	(6,879)
Net cash provided by/(used in) investing activities		(662,497)	(584,098)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from / (repayment) of borrowings		500,000	-
Net cash provided by/(used in) financing activities		500,000	-
Net increase/(decrease) in cash and cash equivalents held		(15,813)	(319,833)
Cash and cash equivalents at beginning of year		33,114	352,947
Cash and cash equivalents at end of financial year		17,301	33,114

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

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(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 16 to the financial statements.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(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 2023 the Group incurred a net loss of \$65,342 (FY22: loss \$123,342). As at 30 June 2023 the Group had net tangible liabilities of \$1,214,173 (FY22: net tangible liabilities of \$853,955) and current liabilities exceeded current assets by \$75,760 (FY22: current liabilities exceeded current assets by \$215,030).

These factors indicate a material uncertainty exists which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Group's ability to continue as a going concern is dependent on its ability to reverse the currently occurring operating position by restructuring operations, increasing sales, and obtaining replacement debt or equity funding. Rainrose Pty Ltd, a related party, has advanced \$1,106,345 (FY22: \$606,345). Rainrose Pty Ltd has confirmed it will continue to support the Group and advance further funds during FY24 if required and has provided a letter of support to the Group.

Accordingly, management believe that the Group will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of the financial statements. As a consequence of the above, the directors believe that notwithstanding the results for the year, the Group will be able to continue as a going concern and therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(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.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(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, except for freehold land 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%
At cost	25% - 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) 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.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(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.

Computer Software

Computer software is amortised over 10 years.

(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.

(j) Employee benefits

Provision is made for the Company'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 Company 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.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(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.

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.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(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 rendered based on either a fixed price or hourly rate. Invoices are paid on named control terms.

Other Income

Other income is recognised on an accruals basis when the Group is entitled to it.

(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 consolidated 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.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life or not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(q) 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.

(r) Borrowings

Loans and borrowing are initially recognised at the fair value of the consideration received. They are subsequently measured at amortised cost using the effective interest method.

(s) 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.

Summary of Significant Accounting Policies

For the Year Ended 30 June 2023

1 Summary of Significant Accounting Policies

(s) Critical Accounting Estimates and Judgments

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.

Key estimates - useful lives of assets

The Group determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(t) New or amended Accounting Standards and Interpretations adopted

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2023

2 Revenue and Other Income

Revenue

	2023	2022
	\$	\$
Sales revenue		
- Rendering of services	784,565	959,208
Other revenue		
- interest received	1,842	635
Total revenue	786,407	959,843

Other Income

- other income	2,844	-
Total other income	2,844	-

3 Income Tax Expense / (benefit)

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

	2023	2022
	\$	\$
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	37,852	(8,156)
Income tax expense for continuing operations	37,852	(8,156)

(b) Reconciliation of income tax to accounting profit:

	2023	2022
	\$	\$
Profit before tax	(27,490)	(131,498)
Prima facie tax at 30%	(8,247)	(39,449)
- Permanent differences	46,099	31,293
Income tax expense / (benefit)	37,852	(8,156)

Notes to the Financial Statements

For the Year Ended 30 June 2023

4 Dividends

Franking account

	2023	2022
	\$	\$
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.

5 Tax

(a) Recognised Deferred Tax Assets and Liabilities

	2023	2022
	\$	\$
Deferred tax assets	58,381	96,232
Net deferred tax assets / (liabilities)	58,381	96,232

Notes to the Financial Statements

For the Year Ended 30 June 2023

5 Tax

(b) Deferred Tax Assets

	Opening Balance	Charged to Income	Closing Balance
	\$	\$	\$
Deferred tax assets			
Provisions - employee benefits	58,216	6,223	64,439
Employee benefits	1,882	1,389	3,271
Intangibles	11,988	7,283	19,271
Other	15,990	(6,739)	9,251
Balance at 30 June 2022	88,076	8,156	96,232
Provisions - employee benefits	64,439	(29,618)	34,821
Employee benefits	3,271	(3,030)	241
Intangibles	19,271	1,461	20,732
Other	9,251	(6,664)	2,587
Balance at 30 June 2023	96,232	(37,851)	58,381

(c) Unrecognised Deferred Tax Assets

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

	2023	2022
	\$	\$
Non-refundable research and development offset	1,746,144	1,722,194

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

6 Trade and Other Receivables

	2023	2022
	\$	\$
CURRENT		
Trade receivables	50,051	27,979
Other receivable / (payable)	(35,500)	14,500
Total current trade and other receivables	14,551	42,479

Credit risk

The Company has concentration of credit risk with respect to related parties. The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2023

7 Property, plant and equipment

	2023	2022
	\$	\$
Motor vehicles		
At cost	26,538	26,538
Accumulated depreciation	(25,006)	(24,487)
Total motor vehicles	1,532	2,051
Office equipment		
At cost	21,239	21,239
Accumulated depreciation	(17,022)	(16,040)
Total office equipment	4,217	5,199
Computer equipment		
At cost	117,234	117,234
Accumulated depreciation	(111,493)	(107,049)
Total computer equipment	5,741	10,185
Total property, plant and equipment	11,490	17,435

(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 2023				
Balance at the beginning of year	2,051	5,199	10,185	17,435
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(519)	(982)	(4,444)	(5,945)
Balance at the end of the year	1,532	4,217	5,741	11,490
	Motor Vehicles	Office Equipment	Computer Software	Total
	\$	\$	\$	\$
Year ended 30 June 2022				
Balance at the beginning of year	9,454	6,674	14,759	30,887
Additions	-	-	6,879	6,879
Disposals	(5,142)	-	-	(5,142)
Depreciation expense	(2,261)	(1,475)	(11,453)	(15,189)
Balance at the end of the year	2,051	5,199	10,185	17,435

Notes to the Financial Statements

For the Year Ended 30 June 2023

8 Intangible Assets

	2023	2022
	\$	\$
Computer software - WIP		
DeRisk	1,960,919	1,313,668
QANOTIX	541,978	526,732
Net carrying value	2,502,897	1,840,400
Computer software - DeRisk		
Cost	3,085,566	3,085,566
Accumulated amortisation and impairment	(649,790)	(325,020)
Net carrying value	2,435,776	2,760,546
Total Intangibles	4,938,673	4,600,946

Notes to the Financial Statements

For the Year Ended 30 June 2023

8 Intangible Assets

(a) Movements in carrying amounts of intangible assets

Year ended 30 June 2023

	WIP - DeRisk	WIP - ANOTIX	Q Total Work In Progress	Computer Software - eRisk	Computer Software - ANOTIX	Total Computer Software	Total Intangible
	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	1,313,668	526,732	1,840,400	2,760,546	-	2,760,546	4,600,946
Addition - internally generated WIP	647,251	15,246	664,497	-	-	-	-
Amortisation expense	-	-	-	(324,770)	-	(324,770)	(324,770)
Transfer between classes	-	-	-	-	-	-	-
Closing value at 30 June 2023	1,960,919	541,978	2,502,897	2,435,776	-	2,435,776	4,938,673

Year ended 30 June 2022

	WIP - DeRisk	WIP - ANOTIX	Q Total Work In Progress	Computer Software - eRisk	Computer Software - ANOTIX	Total Computer Software	Total Intangible
	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	2,769,048	488,656	3,257,704	1,031,607	-	1,031,607	4,289,311
Addition - internally generated WIP	544,284	38,076	582,360	-	-	-	582,360
Amortisation expense	-	-	-	(270,725)	-	(270,725)	(270,725)
Transfer between classes	(1,999,664)	-	(1,999,664)	1,999,664	-	-	-
Closing value at 30 June 2022	1,313,668	526,732	1,840,400	2,760,546	-	2,760,546	4,600,946

Notes to the Financial Statements

For the Year Ended 30 June 2023

9 Trade and Other Payables

	2023	2022
	\$	\$
Current		
Unsecured liabilities		
Trade payables	7,443	80,645
Sundry payables and accrued expenses	27,656	45,187
	<u>35,099</u>	<u>125,832</u>

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.

10 Provisions

	2023	2022
	\$	\$
CURRENT		
Annual leave	41,687	105,735
Long service leave	30,825	59,047
	<u>72,512</u>	<u>164,782</u>
NON-CURRENT		
Long service leave	43,558	50,015
	<u>43,558</u>	<u>50,015</u>

11 Deferred income

	2023	2022
	\$	\$
CURRENT		
Deferred income	-	9
	<u>-</u>	<u>9</u>

12 Borrowings

	2023	2022
	\$	\$
NON-CURRENT		
Borrowings	1,106,345	606,345
	<u>1,106,345</u>	<u>606,345</u>

The borrowings are from Rainrose Pty Ltd, a related party, are unsecured, interest free and will not be called upon for at least 12 months from 30 June 2023.

Notes to the Financial Statements

For the Year Ended 30 June 2023

13 Issued Capital

	2023	2022
	\$	\$
94,156,612 (2022: 94,056,612) Ordinary shares	3,719,817	3,714,817
	3,719,817	3,714,817

(a) Ordinary shares

	2023 No.	2022 No.	2023 \$	2022 \$
At the beginning of the reporting period	94,056,612	94,056,612	3,714,817	3,714,817
Employee share scheme	100,000	-	5,000	-
At the end of the reporting period	94,156,612	94,056,612	3,719,817	3,714,817

(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.

14 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:

	2023	2022
	\$	\$
Profit / (Loss) after tax for the year	(65,342)	(123,342)
Non-cash flows in profit:		
- amortisation	324,770	270,725
- depreciation	5,945	15,189
- employee share scheme expense	5,000	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	27,928	13,751
- (increase)/decrease in deferred tax asset	37,851	(8,156)
- increase/(decrease) in income in advance	(9)	-
- increase/(decrease) in trade and other payables	(90,732)	75,353
- increase/(decrease) in provisions	(98,727)	20,745
Cashflows from operations	146,684	264,265

Notes to the Financial Statements

For the Year Ended 30 June 2023

15 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022: None).

16 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
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 2023 (2022: dormant).

Notes to the Financial Statements

For the Year Ended 30 June 2023

17 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, derivative financial instruments 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 2023

18 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)
- Geoff Acton (Company Secretary) and G&S Quality Systems Pty Ltd
- Advance ZincTek Limited
- Veganic SKN Limited
- 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

	2023	2022
	\$	\$
Veganic SKN Limited		
- IT Services	8,776	830
Advance ZincTek Limited		
- IT Services	94,007	86,928
Tamawood Limited		
- IT Services	681,782	968,172

Notes to the Financial Statements

For the Year Ended 30 June 2023

18 Related Parties

(b) Transactions with related parties

(ii) Purchase of goods and services

	2023	2022
	\$	\$
Tamawood Limited		
- Accounting and general services provided	12,727	30,823
- Rental of premises & related occupancy costs	14,802	23,466
- Insurance fees charged	-	1,280
- Electricity	-	4,178
Advance ZincTek Limited		
- Amazon web services	7,314	26,111
CyberGuardAU Pty Ltd		
- IT web services protection	2,079	35,555
Winothai Pty Ltd		
- Professional fees	9,525	11,150
G&S Quality System Pty Ltd		
- Professional fees	22,975	13,012

(iii) Outstanding balances

	2023	2022
	\$	\$
Veganic SKN Limited		
Advance ZincTek Limited		
- Amounts receivable	31,261	703
- Amounts payable	36,202	14,955
Tamawood Limited		
- Amounts receivable	14,494	27,227
- Amounts payable	1,408	-
Rainrose Pty Ltd		
- Borrowings payable (see note 12)	1,106,345	606,345

Notes to the Financial Statements

For the Year Ended 30 June 2023

19 Key Management Personnel Remuneration

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

	2023	2022
	\$	\$
Short-term employee benefits	226,601	221,814
Long-term benefits	17,505	2,730
Post-employment benefits	216,669	15,929
	<u>460,775</u>	<u>240,473</u>

20 Auditors' Remuneration

	2023	2022
	\$	\$
Remuneration of the auditor William Buck Audit (Vic) Pty Ltd, for:		
- auditing or reviewing the financial statements	19,600	19,000
	<u>19,600</u>	<u>19,000</u>

21 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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

22 Company Details

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

SenterpriSYS Limited
81 Shettleston Street
Rocklea, QLD 4106

23 Earnings per Share

(a) Earnings used to calculate overall earnings per share

	2023	2022
	\$	\$
(loss) / Profit attributable to members of parent entity used in calculation of basic and diluted EPS	(65,342)	(123,342)

(b) Weighted average number of shares used

	2023	2022
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	94,056,886	94,056,612

24 Operating Segments

The Group has identified it has one operating segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report which indicates that the Group has incurred a loss before tax of \$65,342 for the year ended 30 June 2023 and as at 30 June 2023, the Group had net tangible liabilities of \$1,214,173 and a net deficiency of current assets of \$75,760. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group'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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

RELATED PARTY TRANSACTIONS	
Area of focus Refer also to Remuneration report on page 5 to 9 and Notes 1 (c) and Note 18	How our audit addressed it
<p>The Group 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.</p> <p>As such this matter has been determined as a key area of focus for audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Assessment of the Group's controls to identify and disclose related party relationships and transactions in accordance with the relevant accounting standards and the <i>Corporations Act 2001</i>; — 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. <p>For each class of related party transaction, we compared the financial statement disclosures against the underlying transactions and the Australian Auditing Standards and <i>Corporations Act 2001</i> requirements</p>

CARRYING VALUE OF INTANGIBLES	
Area of focus Note 1(h), note 1(s) and Note 8	How our audit addressed it
<p>The Group continued to invest in the software development of its small enterprise management systems for the housing industry and subcontractors and capitalised \$629,381 for the year ended 30 June 2023.</p> <p>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 Group.</p> <p>As such this matter has been determined as a key area of focus for audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Reviewing internal management documentation and accounting policy in respect of development costs; and — Assessing whether intangible assets were eligible for capitalisation under AASB 138 Intangible Assets and assessing the extent of impairment of intangible assets. — Testing amounts capitalised by examining and re-calculating the remuneration of employees conducting work on their software development, including a check to internal timesheets, as well as the nature of the asset. <p>We also assessed the adequacy of the Group's financial statement disclosures.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report

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

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

Responsibilities

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



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



J. C. Luckins
Director
Melbourne, 13 September 2023

Corporate Governance Statement

For the Year Ended 30 June 2023

The objective of the Board of SenterpriSYS is to create and deliver long term shareholder value through a range of diversified but interrelated activities involving software development.

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

Shareholder Information

NSX Additional Information

Additional information required by the National Stock Exchange of Australia Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 7 September 2023.

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

Holding	Ordinary shares	
	No. of holders	No. of shares
1 - 1,000	1,874	446,869
1,001 - 5,000	836	2,058,439
5,001 - 10,000	171	1,215,466
10,001 - 100,000	171	4,140,479
100,001 and over	52	86,295,359
	3,104	94,156,612

Shareholder Information

For the Year Ended 30 June 2023

Substantial shareholders

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

Twenty largest shareholders

	Number held	% of issued shares
POLTICK PTY LTD	26,643,669	28.30%
RAINROSE PTY LTD	20,349,759	21.61%
TAMAWOOD LIMITED	9,619,654	10.22%
SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C>	4,983,904	5.29%
NOWCASTLE PTY LTD	3,925,214	4.17%
ANKLA PTY LTD	3,065,491	3.26%
MR ANDREW BARRY THOMAS	1,915,498	2.03%
MR MICHAEL WILLIAM FENNELL & MRS TANIA MAREE FENNELL <FENNELL FAMILY A/C>	1,550,001	1.65%
MIZI SUPERANNUATION PTY LTD <MIZI SUPER FUND A/C>	1,172,280	1.25%
RELAX AND RECREATION PTY LTD <A B THOMAS SUPER FUND A/C>	1,065,910	1.13%
IAN HENDERSON	702,187	0.75%
MR JOSEPH KEVIN MIZIKOVSKY	681,138	0.72%
ROBERT PATRICK LYNCH	624,167	0.66%
RIPELAND PTY LTD	551,940	0.59%
IAN HENDERSON & MARIAN ELIZABETH HENDERSON <THE SCOTSTOUN SUPERFUND A/C>	547,813	0.58%
ODALREACH PTY LTD	528,252	0.56%
MUTUAL TRUST PTY LTD	525,819	0.56%
M & T FENNELL SUPER FUND PTY LTD <THE M & T SUPER FUND A/C>	500,000	0.53%
MR TIMOTHY MARK BARTHOLOMAEUS	468,125	0.50%
MR ROBERT LYNCH & MRS SINEAD LYNCH <R & S LYNCH S/F A/C>	466,667	0.50%
	79,887,488	84.85%

Securities exchange

The Company is listed on the National Stock Exchange of Australia ("NSX") (NSX code: SPS).

Share registry

The register of security holders of the Company is kept at the office of Automic Registry Services.

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