



# **SenSen Networks Limited**

**And Controlled Entities**

**ABN 67 121 257 412**

## **Annual Report**

**for the year ended**

**30 June 2020**

For personal use only

## Content

	Page
Corporate Information	3
Chairman's Letter	4
Directors' Report	13
Remuneration Report (Audited)	18
Corporate Governance Statement	28
Auditors Independence Declaration	42
Consolidated Statement of Profit or Loss and Other Comprehensive Income	43
Consolidated Statement of Financial Position	44
Consolidated Statement of Changes in Equity	45
Consolidated Statement of Cash Flows	46
Notes to the Consolidated Financial Statements	47
Directors Declaration	87
Independent Auditor's Report	88
ASX Additional Information (Unaudited)	92

For personal use only

## Corporate Information

---

### **SenSen Networks Limited**

ACN 121257412

#### **Directors**

Mr Subhash Challa, Executive Chairman  
Mr Zenon Pasieczny, Non-Executive Director  
Mr David Smith, Executive Director  
Mr Jason Ko, Non-Executive Director (resigned 13 March 2020)  
Ms Heather Scheibenstock, Executive Director

#### **Company Secretary**

Mr David Smith

#### **Chief Financial Officer**

Mr Jonathan Cook (appointed 5 February 2020)  
Mr Tony Lynch (resigned 4 February 2020)

#### **Registered Office and Principal Place of Business**

Level 1, 9 Harper Street,  
Abbotsford,  
Melbourne, VIC 3067

Telephone: +61 3 9417 5368

#### **Share Register**

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
Australia: 1300 850 505  
Overseas callers: +61 3 9415 4000  
Facsimile: +61 3 9473 2500  
Internet: [www.computershare.com.au](http://www.computershare.com.au)

#### **Stock Exchange Listing**

SenSen Networks Limited shares are listed on the Australian Securities Exchange (ASX Code: SNS).

#### **Solicitors**

Thomson Geer Lawyers  
Level 16, Waterfront Palace  
1 Eagle Street  
Brisbane Qld 4000

#### **Auditors**

BDO Audit Pty Ltd  
Level 10, 12 Creek St,  
Brisbane City  
QLD 4000

#### **Bankers**

Commonwealth Bank of Australia  
727 Collins Street  
Melbourne VIC 3000

#### **Website**

[www.sensennetworks.com](http://www.sensennetworks.com)

## Chairman's Letter

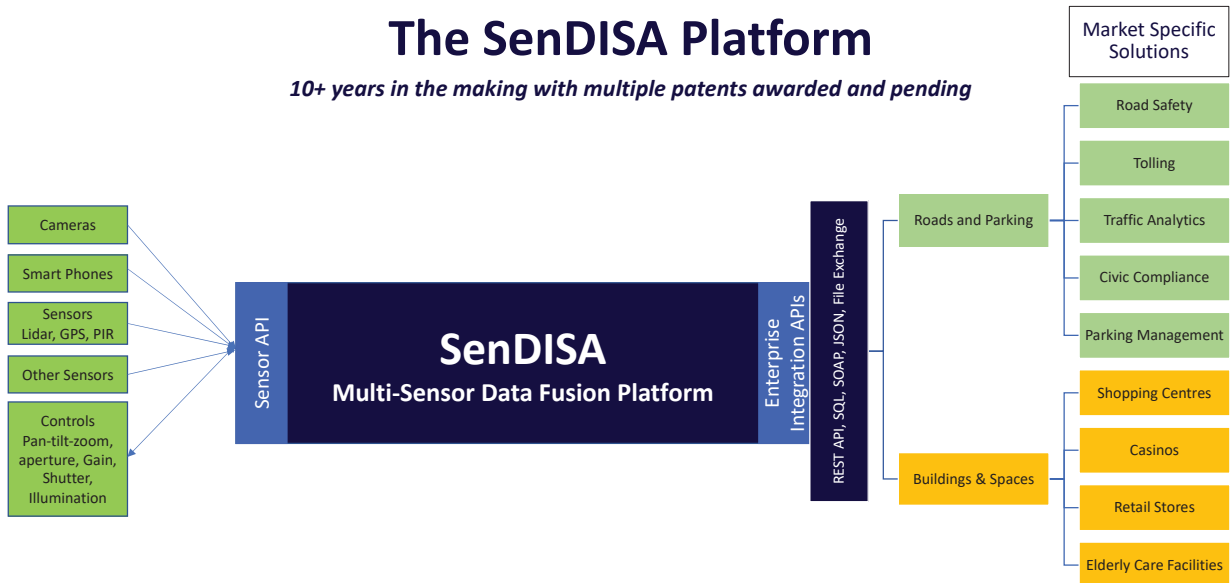
Dear Fellow Shareholder,

Welcome to the 2020 Annual Report for SenSen Networks Limited (ASX: SNS). In a number of dimensions, 2020 has been a transformational year for SenSen and I am pleased to share a number of key milestones we have achieved in the past year and some insights on how we plan to achieve accelerated growth in the coming years.

### **Who are we and What do we do?**

We are the world leaders in delivering productivity and safety solutions to Cities, Citizens and Corporations. We have been developing a software platform called SenDISA for well over a decade with multiple patents protecting the intellectual property associated with it. The platform gathers data from multiple live camera feeds as well as data from disparate sensors like GPS, Lidars and other IoT devices in real time, then analyses the data to find patterns and trends hidden within it. Three critical components - data fusion, AI algorithms, and software - work together to produce results that improve the productivity and safety of our customers' operations and deliver business insights that are otherwise impossible to obtain from traditional data sources.

We are currently focused on two market segments: 1) Roads and Parking with customers in city councils, transport agencies, tolling companies and parking management operators; and 2) Buildings and Spaces with customers in casinos, airports, retail stores and shopping centres. While these two market segments are both very large and offer significant growth opportunities for our company in coming years, it is important to note that our long-term vision is to launch more products and services into new market verticals to truly realise the full potential of the SenDISA platform. We are a software platform company, not just a product company.



***It's a Multi-Camera, Multi-Sensor Data Fusion software platform that can be reconfigured on demand to meet multitude of customer use case requirements***



Our ambition is to have the SenDISA platform adopted and used by many industries, similar to how SAP or Oracle provide solutions revolving around ERP to almost every sector of the economy. We have proven the accuracy and scalability of our platform and introduced products in diverse use cases such as parking enforcement in Smart Cities, security and safety in some of the world's busiest airports, and live customer activity tracking at casino gaming tables. These disparate markets and use cases, while delivering growing annual recurring revenue to SenSen, are also funding further development of the platform to support our vision to be the software platform of choice for solving multiple industry problems related to real-time monitoring of business operations, staff and customers.

Our ultimate aim is to improve productivity and safety of our customers' business operations and deliver them insights that are impossible to obtain by other means.

For personal use only

### ***Investments into Marketing & Brand Development***

In our interactions with customers, shareholders and staff, it became clear that our company is often misunderstood. Some think we are a parking fine issuing company; others think we are a casino gaming solutions company and some others think we are an 'AI' services company. Some even think we are just a CCTV surveillance company because we often deal with cameras and early on developed software to read number plates. While we do offer all these products, we cannot be reduced to a company that does just one of these solutions, and we identified a clear need to improve our communications to help everyone understand what SenSen is capable of. The exercise forced us to find new ways to explain what we offer, the markets we address, the size of the opportunity and most importantly, the size of our long-term vision.

Among the characteristics we found within our corporate DNA is anti-fragility. It is a trait that embodies all the people who make up our staff on four continents who've helped us come out stronger after every near-death experience or short-term setback. Our latest challenge has been dealing with travel bans and border closures due to COVID-19 at a time when we are winning new international contracts. Our response was positive and affirmative; another example in SenSen's corporate history where we became stronger and more organised and delivered new growth as a fresh crisis hit. Our ARR is accelerating and we are signing up new customers and getting more orders from existing customers while many of our competitors are struggling to deal with downward spirals.

Looking within, we identified that all our solutions are '*Ingenious by Design*'. This is achieved by combining out-of-the-box thinking with deep expertise in data fusion, and means we are able to develop products that successfully automate laborious and unsafe tasks for both the private and public sectors. We invented new ways to use smartphones, via our Gemineye App, to do what previously required expensive security and CCTV cameras; the result is a significant reduction in the cost of technology adoption coupled with a corresponding upswing in scalability. In keeping with the ethos of ingenuity, we took a bunch of low-cost USB cameras and turbocharged them with our patented AI software to solve the holy grail problem of table game analytics in casinos: reading mixed chip stacks in real-time on live table games with almost 100% accurately. All this work – built upon a relentless commitment to R&D - is captured in our new brand identity "SenSen Networks – Ingenuity by Design" and can be seen at [www.sensennetworks.com](http://www.sensennetworks.com).

### ***Financial Analysis: Increased focus on Annual Recurring Revenues (ARR)***

Importantly, we are about substance and not merely window dressing. Our achievements in the R&D laboratory need to be read in conjunction with the results contained in the attached Financial Report.



- As of Q1 2021, we have over 20 customers generating ARR; grew from 16 in FY 2020, and 8 in FY 2019
- As of Q1 2021, contracted total revenue is \$5.6m of which \$3.3m is ARR
- ARR is ~60% of our total revenue; grew steadily YoY from 35% in FY 2019
- The average ARR per client is ~\$160K per customer
- We had zero churn over the last 3 years
- Almost all existing customers bought additional services increasing our ARR per client over this period
- With 3 more quarters to go, we are well placed to have a record year for both total revenue and ARR

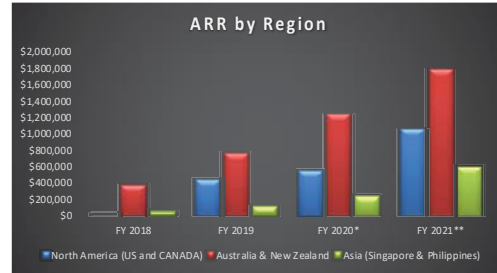
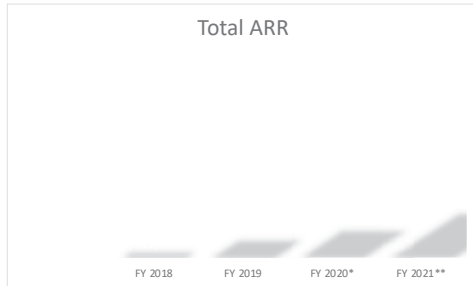
\*SenSen's Financial Year is 1 July 2020 – 30 June 2021



In FY2018, the year SenSen listed on the ASX, our ARR component was around 10% of total revenues. I am delighted to report that ARR has grown to over 50% in FY2020 and is likely to continue growing into the future. To keep investors up to date on this vital metric, all our recent announcements now include insights into how the future is shaping up in terms of both overall revenue and the ARR component within it. This reflects our team's focus on shifting the nature of revenue rather than just focusing on increasing the top line revenue numbers. That said, our team remains focused on accelerating the top line as well as increasing the proportion of ARR in the total revenue. The image below summarises the trends in relation to ARR over the last three years and how it's looking into the future:

## ARR Growth Profile

- FY 2021\*\* numbers are based on existing contracts as at Q1
- Additional contracts awarded or modifications to existing customer contracts in the next 3 Qtrs will change these numbers



COVID-19 has dramatically changed the global landscape for cities, citizens and corporations. Everyone had to respond, and we did. We responded positively and affirmatively with parallel actions: we reduced salaries by 20% across the board for teams in Australia, Singapore, and North America; and we consolidated existing roles and responsibilities into a smaller number of people resulting in some redundancies within the company.

These measures, in conjunction with our growing revenues and R&D tax credits, have laid the foundations to help move the company steadily towards cash-flow positivity and profitability. Initially, the cost-cutting measures were introduced for a six-month period starting March 2020 and ending in September 2020, however following a recent review, the Board of Directors has decided to extend the 20% salary reduction for an extended period.

### Impact of COVID – 19 on operations

In FY2020, SenSen did not experience any material interruptions or delays to customer deliveries and support due to COVID-19, highlighting the Company's excellent execution capabilities even while 90% of staff worked remotely. We continued to undertake significant business development and marketing activities during the year and as a result have a strong pipeline of prospects across both the Smart Cities and Retail & Leisure sectors.

SenSen also continued to grow our operational infrastructure with a number of key hires during the year including additional R&D and development teams. The group now has over 100 employees and contractors across multiple locations in Australia, India, Singapore and North America.

### Research & Development

We have invested significantly into R&D activities inspired by the complex challenges thrown at us by our diverse customers mix. Some ground-breaking developments of the past year include:

1. Determining the GPS coordinates of parked vehicles to military-grade accuracy when there are no GPS signals available

For personal use only

2. Designing next-generation SenForce vehicle-mounted pods
3. Developing rapid deployment kits and software for ground-breaking new product line Gemineye
4. Development of SenSen Vision Zero (SenVIZ) camera and software to help save lives on roads and highways
5. New methods to reduce false alarms and improve productivity of traffic management solutions
6. New configurations of our SenDISA platform to support bus lane enforcement and personal mobility vehicle (e-scooter) related enforcement applications

## Patents

SenSen takes IP protection seriously and we have been very active in filing patents for our critical inventions. We have lodged the following five patent applications since the last annual report and more are in the pipeline:

1. Systems and Methods for image-based location estimation (Roads & Parking)
2. Image-based monitoring system (Roads & Parking)
3. Protective housing for image-based monitoring system (Roads & Parking)
4. System and method for machine learning-driven object detection (Casinos)
5. Gaming activity monitoring systems and methods (Casinos)

Two patents have been awarded:

1. Method and system of identifying one or more features represented in a plurality of sensor-acquired data sets (Roads & Parking)
2. System and method for automated table game activity recognition (Casinos).

## Australian Research Council (ARC) Funded Collaborative Research with University of Melbourne

SenSen and the University of Melbourne have successfully attracted a prestigious research grant from the Australian Research Council (ARC) to develop more accurate and efficient methods to digitise Smart City assets. ARC is providing A\$370K and SenSen is providing ~A\$240K to support the three-year collaborative project with both organisations committing additional in-kind resources.

This collaborative research will help SenSen develop products and solutions using AI for traffic engineering departments within city councils. The technological breakthroughs proposed have the potential to enhance the delivery of services currently offered to cities globally by SenForce and SenSign vehicles.

## ***Sales and Revenue Growth***

Our growth is underpinned by multiple strategies:

1. New direct client acquisitions
2. Engaging distribution channels to accelerate sales momentum
3. New product configurations to meet the challenges of emerging client requirements
4. Additional orders from existing clients

Here we outline the progress we have made in executing these strategies.

### New Direct Client Acquisitions

#### *North America*

In new geographies, we often have to acquire customers directly for the first time and create a reference base in order to attract distribution partners to represent SenSen products and solutions. In FY2017 and FY2018 we locked in multi-year contracts for our parking enforcement solutions from the cities of Calgary and Edmonton in Canada. We not only consolidated our position with these cities but also continued to receive orders for additional software and services from them. This formed the foundation for our growth plans in the USA where we first signed with Chicago Parking Meters (CPM) on a proof-of-concept trial in October 2019 which is now successfully completed. We are continuing our discussions with CPM for production roll-out of our technologies. We then went on to win a multi-year, multi-million-dollar contract with City of Las Vegas in April 2020.

With successful roll-out of our solutions in three major cities in North America and successful trials in another city behind us, we are now exploring sales distribution opportunities in the region.

### Sales Distribution Channels

In regions where we are well established, we have entered into a number of sales distribution relationships to grow market share through them.

#### *Singapore*

1. Working closely with ATT Systems, we have been able to expand our software from 300 cameras to more than 560 cameras delivering illegal parking enforcement solutions to the Land Transport Authority (LTA).
2. In collaboration with ST Electronics, we have developed and delivered AI-based false alarm reduction solutions to LTA's traffic management operations.
3. Beacon Systems continues to place new orders with SenSen for maintenance and support of our solution deployed at the Changi International Airport.
4. D-Ron, a distributor of repute in Singapore, has introduced SenSen to new opportunities and facilitated POC trails with multiple system integrators and end users. A number of these opportunities are pending final decision by the clients.

#### *Australia and New Zealand*

1. Working closely with Duncan Solutions Australia, we have acquired a number of new council customers including Gold Coast, Cairns, Tweeds Head, Geelong and Port Stevens, as well as Kosciusko National Park. Duncan continues to integrate and promote SenSen solutions to its customers. We are currently involved in multiple POC trials with a number of councils and government customers within the parking sector in collaboration with Duncan.
2. In collaboration with Smarter City Solutions (SCS), SenSen was successful in acquiring Hills Shire City Council; the roll-out is planned to be completed before December 2020.
3. ITS Global Parking Solutions NZ has integrated our Gemineye solution into its e-view enforcement app and has been successful in acquiring multiple clients in NZ and also made significant progress in promoting the offering in the USA.
4. We have signed a distribution agreement with ImperiumIQ targeting a number of private car-park operators. ImperiumIQ has been successful in acquiring its first customer in NZ and is expected to win more business for SenSen in the ANZ region in the near term.

#### *UAE*

1. We have established three distribution partners in the region for solutions in road safety, parking, traffic analytics and public safety.
2. Multiple POC trials are underway with Dubai RTA and Abu Dhabi Police and we expect to start building revenue momentum in the region post COVID-19.

### New platform configurations to meet the challenges of emerging client requirements

#### *Gemineye*

We introduced Gemineye, a Smart City smart phone app, to disrupt the price performance parameters associated with monitoring cities and improving productivity and safety for citizens. After POC trials by a number of customers and partners, over 100 licenses have been taken up as Software as a Service (SaaS) in the last six months by customers including City of Las Vegas (USA), Nelson City Council (NZ) and a number of carparks in the ANZ region. Further trials are underway in Dubai and Singapore for unique and varied Smart City applications which are expected to further accelerate additional sales.

#### *AI-FARM*

False alarms lead to significant loss of productivity across a range of applications including incident detection, tolling and traffic management. We have developed a new product line to address this universal problem. It is currently implemented in Singapore by the Land Transport Authority (LTA) reducing false alarms by over 95% on 700+



cameras currently used by LTA to monitor roads and tunnels. Marketing and sales plans are currently under development for global distribution of this product.

#### *SenGAME – Distributed*

SenSen has made significant further developments to further reduce the cost of adoption of SenSen technology by Casinos. This will further reduce the capital cost of roll-out for Casinos and hasten the adoption of this technology. This new development has been welcomed by many casino customers who want this data more than ever but cannot afford the capital costs involved in retrofitting or replacing existing tables as some alternative solutions require. Trials are under way at several leading Casinos.

#### *Autonomous Vehicles*

SenSen signed an MOU with Australian company ACE Electric Vehicles Group (“ACE”) to collaborate on developing autonomous driving capabilities. SenSen will customise its SenDISA platform for deliver autonomous driving capabilities to ACE electric vehicles. SenSen’s proven track record and prior experience in solving complex problems of object detection, tracking and data fusion for Smart City applications will provide significant advantages to accelerate progress in this endeavour. This Memorandum of Understanding is significant to SenSen as it represents the Company’s launch into building solutions in the rapidly growing field of autonomous vehicles.

#### Additional Orders from existing clients

Almost all existing customers have ordered additional systems and services from us during this year including the cities of Calgary and Brisbane, Transport for NSW, LTA Singapore, Solaire and Crown Casinos and other customers.

#### **Placement**

In December 2019, SenSen completed a ~A\$3.3M Private Placement to Angel Japan Co Ltd for a total of 22,195,100 shares, equal to approximately 4.99% of the total post-Placement issued shares of SenSen. The Placement was conducted at \$0.15 per share, a ~68% premium to the closing price of SenSen shares on 4 December 2019. SenSen also executed an exclusive distribution agreement with Angel Japan Co Ltd that involved minimum guaranteed revenues starting January 2020. However, due to changed circumstances, this agreement was terminated by SenSen on 30 June 2020.

Prior to this, SenSen raised capital from the public markets in May 2018 (more than 2 years ago) at 14.5 cents per share. The price at listing was 10 cents per share. This is a great outcome for shareholders who have backed the company over the years as we have never had a down round when raising capital and the SenSen Board of Directors and the Executive team have always worked diligently to protect the interests of shareholders.

I also wish to highlight that no director has sold a single share even after they came out of escrow after the IPO, in fact they have all bought shares on market within the trading windows allowed by the ASX.

#### **Future Plans for US Market Growth**

As announced on 14 September 2020, we achieved an important milestone of listing SenSen on the OTCQB (SNNSF) venture market to enable US investors to more easily participate in the SenSen growth story. This timing coincided with strong contract wins with the City of Las Vegas and emerging opportunities with City of Chicago and others in the US. This is the first of many steps we are taking on our journey to NASDAQ, our ultimate objective.

We have a clear vision of what we want to achieve for the future of SenSen Networks and I look forward to leading our company as we execute on our plans in FY2021 and beyond.

I would like to thank SenSen’s shareholders who continue to support and believe in our Company. I also thank my fellow Board members for their contributions during the year, and our staff and management for the efforts they delivered in FY2019. I hope you will continue to share this journey with us.



Dr. Subhash Challa  
Executive Chairman and CEO

## Review of Operations and Activities

To be read in conjunction with the attached Financial Report.

Strategically, SenSen Networks Limited continued to pursue an aggressive growth strategy to expand internationally, diversify revenue streams and commercialise new product lines while maintaining revenue momentum.

Despite COVID-19, SenSen achieved a revenue result of \$3,763,526 for FY2020. This is a slight increase on the FY2019 result of \$3,727,414.

The Group's net loss after tax was \$3,705,235. This is an improvement of 30% on 2019's loss of \$5,277,798. The loss for the year included an income tax charge of \$15,073 (2019: income tax expense of \$136,528) and a non-cash share-based payment expense of \$290,405 (2019: \$1,287,967).

SenSen also improved its year-on-year cash position, after recording its highest ever quarterly customer cash receipts of \$1.430M in the June 2020 Qtr, a 150% increase over the previous corresponding period (\$572K in June 2019 Qtr) and an 89% increase over the March Qtr (\$755K). SenSen finished FY2020 with a cash position of \$2,462,642, a 25% increase on the FY2019 cash position of \$1,972,205. This result was achieved without COVID-19 related government support.

SenSen's annual recurring revenue (ARR) profile continues to grow strongly with many existing customers ordering more software and services. In line with our expectations, ARR from government and blue-chip corporate customers continued to grow significantly with total ARR up ~33% to ~\$2M in FY2020, from ~\$1.5M in FY2019. Looking ahead, as previously advised, ARR is estimated to grow even more strongly in FY2021, in the order of ~75% to ~\$3.5M.

This recurring revenue will comprise contributions from a geographically diversified group of blue-chip Smart City customers including: City of Calgary and City of Edmonton in Canada; ATT Systems, Beaqon and ST Electronics in Singapore; City of Las Vegas in the US; Brisbane City Council, City of Gold Coast Council, Cairns Regional Council, Logan City Council, Ipswich City Council, in Queensland, Australia; Transport for NSW and Tweed Shire Council in NSW, Australia; City of Greater Geelong in Victoria, Australia; and Global Parking Solutions and

ImperiumIQ in New Zealand. SenSen will also receive additional orders for SenGAME 3.0 from our casino customers under existing arrangements.

SenSen's prudent cost-cutting measures continued in FY2020, including across-the-board 20% reduction in salaries and reductions in sales, marketing, travel, office and IT costs. This strategy continues to be implemented and together with cash flow generated from contracted revenues, an operating cash flow positive outcome is expected to be achieved by the Company in FY2021.

With confirmed overall contracted revenues of ~\$5.6M for FY2021, SenSen also expects that it is likely to be profitable in the current financial year. Additional contract wins and revenue from other sources, including increasing sales demand for SenSen's Gemineye offering, is expected in FY2021 and this will further enhance profitability.

In FY2020, SenSen did not experience any material interruptions or delays to customer deliveries and support due to COVID-19, highlighting the Company's excellent execution capabilities, even while 90% of staff are working remotely.

SenSen continued to undertake significant business development and marketing activities during the year and as a result has a strong pipeline of prospects across both the Smart Cities and Retail & Leisure sectors.

### ***Intelligent Transport Systems and Smart Cities***

SenSen earned continued and growing support from Smart City customers, not just in Australia but also in key international markets. Key achievements in this full year include acquisition of our first US-based flagship customer, and additional multi-year contracts in Singapore and Australia, both of which come with upfront and on-going revenues. Specifically:

- SenSen announced it had won its first commercial US customer – a five-year ~A\$2.5M contract with City of Las Vegas, including deploying 80 Gemineye units to be used by City officers patrolling streets and car parks on enforcement vehicles, Segways and Go4 scooters. The installation and deployment commenced in April 2020 with software commissioning of the multi-faceted SenSen; project handover is expected to be completed in September.
- SenSen entered into a collaborative services agreement with Chicago Parking Meters, LLC (CPM) to improve parking space management efficiency in the City of Chicago, Illinois, USA, earning project revenue following a successful Proof of Concept (POC) trial. SenSen also provided on a trial basis a combination of products and solutions including our leading cloud-hosted back office software. As part of this trial SenSen is collecting on-street data about parking signs in and around metered parking spaces to facilitate digitization of CPM's assets. Broader commercial discussions are underway.
- SenSen received its first orders from New Zealand with an initial five Gemineye licences procured by Nelson City Council through a reseller arrangement with Integrated Technology Solutions (ITS) in NZ (part of the Linfox Armaguard Group). ITS is also showcasing the Gemineye solution to five of its US customer city councils. More orders are expected to follow.
- SenSen received Gemineye orders from the City of Calgary, Canada, through SenSen's Canadian distribution partner ParkPlus. This order comprised an initial 10 units of Gemineye Kerbside to conduct traffic surveys at the entry and exit points of a carpark. This Gemineye solution allows for the potential to update software "on the fly", completely remotely, making it an enforcement solution with additional potential revenues for SenSen from already-deployed hardware kits.
- More Gemineye orders came for real-time car counts at entry and exit points for car parking in Qatar. This order was for an initial 12 Gemineye units with SenSen earning licence fees during the month-long deployment.
- SenSen continues to conduct trials for the Gemineye offering globally and is in commercial discussions with multiple parties in Australia, New Zealand, USA, India and the Middle East. Based on feedback from US customers and institutions, SenSen expects to enhance its North American presence once travel restrictions are fully lifted post COVID-19.
- SenSen announced it had received orders for its average speed detection and enforcement technology from TfNSW. The new SenSPEED 3.0 ANPR camera and software solution was successful in meeting the high standards set by TfNSW for speed measurement and enforcement purposes, aimed at increasing the compliance of motorists and ultimately saving lives. SenSen's FY2021 software maintenance program was also agreed with TfNSW in June.
- SenSen was to participate in a paid Driver Distraction Trial with Queensland's Transport and Main Roads Government Department in February 2020 after successfully completing the development of technology that combines high-resolution, high-sensitivity machine vision cameras with SenSen's novel deep AI technology, and following participation in a rigorous Request for Information (RFI) process. Due to COVID-19 related restrictions, the Trial has shifted to commencing in September 2020.
- SenSen and leading Asian systems integrator ATT Systems Group were awarded a Government of Singapore five-year contract to deter illegal parking and prevent traffic congestion. SenSen will earn ~A\$1.25M in SaaS revenue over the term of the contract.
- SenSen received its first international commercial order for our AI-FARM software – Artificial Intelligence-based False Alarm Reduction and Management. While the customer's name is withheld for commercial reasons, the entity is a global technology, defence and engineering group based in Singapore. AI-FARM reduces false alarms from incident detection cameras on highways throughout Singapore and the solution is expected to generate an additional recurring revenue stream for SenSen. The four-year Agreement commenced in January 2020.
- SenSen was successful in winning a multi-year extension to support and maintain software at Changi International Airport, Singapore, with Asian system integration partner Beaqon Systems. SenSen provides software to detect abandoned baggage, illegally parked vehicles and illegal U-turns made by taxis and other commercial vehicles.
- SenSen secured a three-year deal to supply automated parking enforcement solutions to Geelong City Council, Victoria, in conjunction with distribution partner Duncan Solutions. The contract initially covers the City's purchase of two SenFORCE mobile parking enforcement units with SenSen earning revenue for the systems, software and commissioning of the unit as well as annual recurring revenues and fees for the software licence, maintenance and support services. The contract includes a provision to supply additional services with the potential to generate revenue, including parking sign audits and parking zone maps.
- SenSen secured a three-year deal with Tweed Shire Council, Queensland, in conjunction with distribution partner Duncan Solutions, covering the City's purchase of an initial SenFORCE mobile parking

enforcement unit, with upfront revenue for the systems, software and commissioning of the unit. SenSen is earning annual recurring revenues and fees for the software licence, maintenance and support services.

- Our long-standing customer, Logan City Council, Queensland, ordered an additional SenFORCE system to augment their existing SenFORCE system to further increase compliance and regulatory services. This order led to additional upfront and recurring revenues from this customer.

### **Retail & Leisure**

SenSen continued to develop the SenGAME gaming solution technology to meet customer requirements and believes it is well placed to take advantage of the expected recovery in the gaming industry from 2021, with AI and video analytics technology able to assist casinos beyond optimising their gaming table operations. SenSen has continued to build additional modules to its base SenGame to meet customer requirements. The additional potential applications for SenSen's technology in casinos and associated retail infrastructure include monitoring of social distancing measures, people-counting, compliance verifications to occupancy in buildings, human and parking traffic management. Key developments for the year:

- SenSen terminated the exclusive Distribution Agreement with Japan-based Angel Japan Co Ltd (Angel). Under the Distribution Agreement announced on 9 December 2019, Angel had been appointed as SenSen's exclusive distributor of SenGAME 3.0 worldwide, commencing 1 January 2020.
- SenSen is re-visiting existing casino opportunities through direct SenSen engagement with casino groups, and exploring other distributor and value-added reseller arrangements, after terminating the exclusive Distribution Agreement with Angel in June 2020.
- Despite COVID-19 related disruptions, SenSen received orders for the hardware and installation of SenGAME 3.0 on a further 76 tables under existing arrangements and received advance payments of over A\$450,000 for these new deployments.
- The contracted monthly recurring revenues for SenGAME 3.0 software licences on applicable additional gaming tables is anticipated to commence upon completion of installations in Q1 2021. More orders are expected to follow.

### **Corporate**

#### **Placement**

In December 2019, SenSen completed a ~A\$3.3M Private Placement to Angel Japan Co., Ltd, for a total of 22,195,100 shares, equal to approximately 4.99% of the total post-Placement issued shares of SenSen. The Placement was conducted at \$0.15 per share, a ~68% premium to the closing price of SenSen shares on 4 December 2019.

#### **Results of AGM**

At our Annual General Meeting of shareholders held on 29 November 2019, all resolutions put to the meeting passed on a show of hands. Resolutions were as follows:

- Resolution 1: Adoption of Remuneration Report
- Resolution 2: Re-election of Mr Jason Ko as Director
- Resolution 3: Approval of 10% Placement

#### **Board and Management Appointments**

In February, SenSen appointed Mr Jon Cook as Acting Chief Financial Officer, replacing Mr Tony Lynch. Jon is a commercially astute and strategically focused senior finance professional with more than 20 years' experience in diverse industries, nine years of which have been spent working internationally. He has a depth of corporate and commercial experience in several geographic regions including USA, Europe, Asia and Australia.

In March, SenSen announced that Non-Executive Director, Mr Jason Ko, had tendered his resignation from the Board of the Company, with effect from 13 March 2020. Mr Ko had been a Director of SenSen since 2014 and he departed the Board on very good terms.

As SenSen pursues its global expansion strategy and particularly in the US, the Company has commenced a search to complement the Board with suitably qualified senior level Directors possessing deep technical knowledge and strategic expertise in AI, together with international capital markets experience.

## Directors' Report

---

The directors present their report with the consolidated financial report of SenSen Networks Limited (“the Company”) and the entities it controlled (“the Group”) at the end of, or during, the year ended 30 June 2020.

### Directors and Company Secretary

The following persons were directors of SenSen Networks Limited during the whole financial year and up to the date of this report:

Mr Subhash Challa, Executive Director  
Mr Zenon Pasieczny, Non-Executive Director  
Mr David Smith, Executive Director and Company Secretary  
Mr Jason Ko, Non-Executive Director (resigned 13 March 2020)  
Ms Heather Scheibenstock, Executive Director

#### Mr Subhash Challa

Executive Chairman, CEO and Managing Director

*Qualifications:* B. Tech (Electrical and Electronics Engineering), JNTU College of Engineering, Hyderabad, India. PhD (Aerospace and Electronic Systems, Signal Processing), Queensland University of Technology

*Experience:* Subhash founded SenSen Networks in 2007 as a spin-off from the University of Technology Sydney where he was Professor of Computer Systems. Subhash is a world-leading authority in data fusion specialising in the analysis and fusion of video and sensor data and is a regular speaker at international industry and academic conferences, and is a charter member of entrepreneurship organisation TIE.

Born and raised in Hyderabad, India, Subhash received his PhD from Queensland University of Technology, Brisbane, Australia in 1999. Part of his PhD studies were conducted at Harvard University (1997). He started his professional career as a Research Fellow at the University of Melbourne in 1998 where he led a number of defence industry projects. Subhash received the Tan-Chin Tau Fellowship in Engineering from Nanyang Technological University in Singapore (2003) where he worked with NTU researchers on traditional and underwater robotics. He holds a Bachelor's Degree in Electrical Engineering from JNTU, Kukatpally, India.

Subhash was the Professor of Computer Systems Engineering at the University of Technology Sydney from 2004-2007 where he mentored several doctoral students to completion in the areas of Bayesian Estimation Theory, Object Tracking, Sensor Networks, Computer Vision, License Plate Recognition, Facial Recognition and Data Fusion. He has co-authored more than 150 papers and is co-author of the reference text, 'Fundamentals of Object tracking' Cambridge University Press, 2011) unifying disparate advances in estimation theory and object tracking into a recursive Bayesian framework.

Subhash left his successful career in academia to join SenSen full-time as CEO in January 2012. He has led the development of the company's video-IoT platform SenDISA and pioneered applications in diverse market segments. As the CEO and CTO of the company, he led SenSen to win a number of innovation awards including iAwards Victoria for SenFORCE and SenSIGN products in 2014 and 2017 respectively; Parking Australia Innovation Award in 2015; and Security Industry Innovation Award in 2014.

Mr Challa has no other current or previous listed company directorships in the last three years.

*Special responsibilities:* Member of the Audit and Risk Committee

*Interest in shares and options:* 80,217,828 Ordinary shares and 12,940,620 options over ordinary shares

### **Mr David Smith**

Executive Director, COO and Company Secretary

*Qualifications:* B Econ, The University of Sydney  
Dip Mgmt – Exec MBA, Australian Graduate School of Management

*Experience:* David was previously an investment banker with more than 20 years experience, working in both the capital markets and M & A globally. He was regularly ranked as one of the Top 10 Australian Investment Bankers in annual surveys, and raised more than \$4 billion for corporate clients. With an extensive background in advising companies across all sectors, including technology, industrials and resources, David has been integrally involved in the evolution of numerous emerging companies into multi-billion dollar enterprises.

David is also a Non-Executive Director of RAW Capital Partners Holdings Limited, a UK based, international asset management business.

David completed his B Econ from the University of Sydney and a Dip Mgmt - Exec MBA from Australian Graduate School of Management, Sydney.

Mr Smith has no other current or previous listed company directorships in the last three years.

*Special responsibilities:* Chief Operating Officer & Company Secretary, Member of the Audit & Risk Committee

*Interest in shares and options:* 11,619,157 Ordinary shares and 8,823,150 options over ordinary shares

### **Mr Zenon Pasieczny**

Non-Executive Director

*Qualifications:* MBA, Maastricht School of Management, The Netherlands

*Experience:* Zenon is an experienced venture capital investor screening 300+ deals annually and investing in only a handful. He backed SenSen for its outstanding potential as an Australian technology company with innovative and IP-driven solutions, helping it grow from an R&D focused start-up to a globally respected industry leader.

Zenon is closely involved in SenSen's strategic marketing and delivery of global communication messages to clients, partners and the media.

He is Director of venture capital firm Saphet Capital Management and Managing Director of The House Family Office providing strategic and commercial advice to a select global client list.

Mr Pasieczny has no other current or previous listed company directorships in the last three years.

*Special responsibilities:* Member of the Audit and Risk Committee

*Interest in shares and options:* 46,876,259 Ordinary shares and nil options over ordinary shares

**Ms Heather Scheibenstock GAICD, FGIA, FCG**

Executive Director

*Qualifications:* Grad Dip Applied Corporate Governance

*Experience:* Heather has over 30 years' experience within the gaming and hospitality industries specialising in strategic planning, business development, stakeholder engagement and offshore growth.

She has held senior executive roles at numerous gaming companies including Bloomberry Resorts Corporation and Echo Entertainment Group (ASX: SGR).

Heather is a Fellow of the Governance Institute of Australia (GAICD) and Fellow of the Chartered Governance Institute (FCG).

Ms Scheibenstock was previously a Non-Executive Director of ASX-listed global gaming company, Ainsworth Game Technology (ASX:AGI). She resigned in November 2019.

*Special responsibilities:* Chair of the Audit and Risk Committee

*Interest in shares and options:* 227,300 Ordinary shares

## Directors' Report

### Principal Activities

The principal activities of the group during the year were to develop and sell SenDISA platform-based products and services into 2 major market segments:

- **Smart Cities:** civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.
- **Retail & Leisure:** delivering accurate actionable insights about casino table game occupancy, hands per hour, bet type and value for every bet placed on the gaming floor.

### Dividends – SenSen Networks Limited

No dividends have been declared in the 2020 financial year (2019: no dividend declared).

### Review of Operations

Information on the operations of the groups, its business strategies and prospects is set out in the Review of Operations and Activities on page 10 and in the Chairman's Letter on page 4.

### Operating Results

The Group's net loss after tax was \$3,705,235 (2019: Loss of \$5,227,798). The loss for the year includes a non-cash share-based payment expense of \$290,405 (2019: \$1,287,967).

### Shares

The following shares were issued during the year:

No of Shares	
<b>Balance as at 1 July 2019</b>	<b>418,554,418</b>
Shares issued to ESOP LTI on 08 August 2019	3,153,235
Shares issued to settle historical loan on 12 December 2019	3,333,333
Shares issued under private placement agreement on 9 December 2019	22,195,100
<b>Balance as at 30 June 2020</b>	<b>447,236,086</b>

### Shares under option

Unissued ordinary shares of SenSen Networks Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options
30 November 2017	4 December 2020	\$0.25	5,200,000
30 November 2017	4 December 2020	\$0.35	5,200,000
30 November 2017	4 December 2020	\$0.45	5,200,000
20 March 2018	30 September 2021	\$0.155	15,854,256
			<b>31,454,256</b>

Details of all options granted to key management personnel are disclosed in the Remuneration report.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

No shares were issued on exercise of options during the year.

### Significant changes in the state of affairs

There were no significant changes in the state of the affairs of the company during the year.



## Directors' Report

---

### Update and impacts of COVID-19

The impacts of COVID-19 the Group have been detailed in the Chairman's Letter on page 6.

### Events after the Reporting Period

On 23 July 2020, 3,371,052 ordinary shares were issued to directors, management and staff as part of the Company's Long Term Incentive Plan which was approved by shareholders at the 2017 annual general meeting (AGM).

No matter or circumstance has arisen since 30 June 2020 that has significantly affected the groups' operations, results or state of affairs, or may do so in future years

### Likely developments and review of operations

Comments on likely developments and review of operations of the Group are included in the annual report under the Review of Operations and Activities on page 10.

Further information on likely developments in the operations of the Group and the expected result of operations have not been included in the annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

### Environmental regulations

The Group is subject to environmental regulations in Australia and in foreign countries where it operates. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these environmental regulations.

### Directors' Meetings

The Company held four Directors' meetings during the year and four Audit and Risk Committee meetings. The attendances of the directors in office during the year at meetings of the Board and Committees were:

Director	Board of Directors		Audit and Risk Committee	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Subhash Challa	6	6	2	2
David Smith	6	6	2	2
Zenon Pasieczny	6	6	2	2
Jason Ko	3	3	2	2
Heather Scheibenstock	6	6	2	2

## Directors' Report

---

### Remuneration Report (Audited)

The Directors are pleased to present the Company's 2020 remuneration report which sets out remuneration information for the Company's executive directors, non-executive directors and other key management personnel.

#### (a) Details of Directors and Key Management Personnel during the year ended 30 June 2020

Mr Subhash Challa, Executive Chairman  
Mr Zenon Pasieczny, Non-Executive Director  
Mr David Smith, Executive Director  
Mr Jason Ko, Non-Executive Director (resigned 13 March 2020)  
Mrs Heather Scheibenstock, Executive Director  
Mr Jonathan Cook, Chief Financial Officer (appointed 5 February 2020)  
Mr Tony Lynch, Chief Financial Officer (resigned 4 February 2020)

The above Key Management Personnel (KMP) are the KMP of the Company, there are no other KMP in the Group.

#### (b) Remuneration governance

The Company does not have a remuneration committee, with remuneration decisions made by the Board on: -

- The over-arching executive remuneration framework
- Operation of the incentive plans which apply to the executive team including key performance indicators and performance hurdles
- Remuneration levels of executive directors and the key management personnel, and
- Non-executive director fees

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

#### (c) Executive remuneration policy and framework

Remuneration levels are competitively set to attract the most qualified and experienced directors and executives.

The remuneration structures outlined below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creating shareholder value.

The Board ensures that executive reward satisfies the following criteria for good reward corporate governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

The executive remuneration framework has two components

- base pay and benefits, including superannuation;
- long-term incentives (LTIs) through participation in the SenSen Long Term Incentive Plan ("the Plan").

The payment of LTIs is conditional on the achievement of set performance criteria as outlined in detail later in the Remuneration Report.

Given the early stage nature of the Group's business, performance conditions were based around revenue growth for 2018 and 2019 rather than any comparison with factors external to the company nor to the performance of any other company or share index. There were no performance conditions relating to revenue growth for 2020.

The Group will present an updated LTI plan for future years at the forthcoming 2020 AGM.

## Directors' Report

### Remuneration Report (Audited) (cont'd)

#### (d) Long-term incentives (LTIs)

The establishment of the SenSen Long-Term Incentive Plan ("The Plan") was approved by shareholders at the 2017 annual general meeting (AGM). The Plan is designed to provide long-term incentives for employees including directors, to deliver long-term shareholder returns. Under the Plan, participants are granted LTI shares and options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

#### (e) Non-executive Director remuneration

Non-executive Directors receive director's fees plus superannuation contributions to a complying fund.

Fees are reviewed annually by the Board taking into account comparable roles and market data. These fees are subject to the annual limit outlined below.

#### (f) Shareholder approved Non-executive Directors' fees pool

The maximum annual aggregate non-executive directors' fee pool limit is \$400,000 and was approved by shareholders at the 2017 annual general meeting held on 30 November 2017.

#### (g) Voting and comments made at the company's 2019 Annual General Meeting

SenSen Networks Limited received more than 99% of 'yes' votes on its remuneration report for the 2019 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

#### (h) Group's performance and link to remuneration

In considering the consequences of the Company's performance on shareholder wealth the Board is focused on total shareholder returns. The Company's Long-Term Incentive Plan is heavily performance based and the vesting of Key Management Personnel and staff options is dependent on the company meeting specific revenue targets.

The factors that are considered to affect shareholder return in the past 5 years are summarised below:

Measures	2020 \$	2019 \$	2018 \$	2017 \$	2016 \$
Share price at end of financial year	0.070	0.087	0.160	0.100	0.100
Market capitalisation at end of financial year (\$M)	\$31.3	\$36.4	\$65.8	\$18.3	\$3.1
Net Profit/(loss) for the financial year	(3,705,235)	(5,277,798)	(9,220,416)	422,277	(427,579)
Director and Key Management Personnel remuneration	1,182,298	1,544,576	2,048,914	122,101	205,789

#### (i) Use of remuneration consultants

In December 2019 SenSen engaged Egan & Associates to conduct a review and advise on a new LTI plan. Also in January 2020 SenSen requested for Egan & Associates to also review the remuneration levels of the Board and Executives of SenSen. At this time SenSen made the decision not to incorporate the advised increases, nor LTI for the financial year ended 30 June 2021.

## Directors' Report

### Remuneration Report (Audited) (cont'd)

#### (j) Details of Remuneration

2020	Short-term Employee Benefits		Post-Employment Benefit	Long-term	Share-based payments		Total	Performance related %
	Salary and Fees	Discretionary Bonus****	Superannuation	Long Service Leave	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>								
S Challa	305,000***	50,000	28,975	24,972	92,571	-	501,518	10%
D Smith	254,158***	50,000	24,145	-	77,143	-	405,446	12%
Z Pasiieczny	48,800***	-	4,636	-	-	-	53,436	-
J Ko	37,018	-	3,517	-	-	-	40,535	-
H Scheibenstock	45,600***	-	4,332	-	-	-	49,932	-
<b>Other key management personnel</b>								
T Lynch (Ex-CFO)	50,411***	-	-	-	15,420	-	65,831	-
J Cook (CFO)	44,000	-	-	-	21,600	-	65,600	-
	<b>784,987</b>	<b>100,000</b>	<b>65,605</b>	<b>24,972</b>	<b>206,734</b>	<b>-</b>	<b>1,182,298</b>	<b>-</b>

2019	Short-term Employee Benefits	Post-Employment Benefit	Long-term	Share-based payments		Total	Performance related %
	Salary and Fees	Superannuation	Long Service Leave	Shares	Options		
	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
S Challa	300,000*	28,500	\$24,206	92,571	231,405**	676,682	34.2%
D Smith	250,000*	23,750	-	77,143	157,776**	508,669	31.0%
Z Pasiieczny	48,000*	4,560	-	-	-	52,560	-
J Ko	48,000*	4,560	-	-	-	52,560	-
H Scheibenstock	40,000	3,800	-	-	-	43,800	-
<b>Other key management personnel</b>							
T Lynch (CFO)	130,000*	-	-	37,029	43,276**	210,305	20.6%
	<b>816,000</b>	<b>65,170</b>	<b>24,206</b>	<b>206,743</b>	<b>432,457</b>	<b>1,544,576</b>	

\* From 1 March 2019, the Company implemented an operational efficiency program to reduce its monthly cost structure. As part of this program, 20% of the KMP salary amounts were deferred from 1 March 2019 and subsequently paid in either cash or equity .

\*\* In 2019, these amounts included in the share-based remuneration represent the fair value of the options at grant date, amortised on a straight-line basis over the expected vesting period. The option amounts above do not represent cash amounts and are the product of a model-based valuation using a Black Scholes method and, in some cases, carry performance conditions around the company's financial performance. These valuations are subject to certain assumptions that may change from year to year and so will be re-performed at each reporting period.

## Directors' Report

### Remuneration Report (Audited) (cont'd)

\*\*\* Includes deferred salary mentioned above from March 2019 that has been subsequently offset by a 20% reduction to salary from March 2020 and remains in place at the date of this report.

\*\*\*\*Certain bonus payments were made to select SenSen key management personnel upon the successful completion of the Angel Japan Co. transaction.

#### (k) Details of share-based payments

The following ordinary shares and options over ordinary shares were issued as part of compensation to key management personnel during the year ended 30 June 2019 and 30 June 2018. No options over ordinary shares were issued as part of compensation to key management personnel during the year ended 30 June 2020.

##### Shares

Rights to shares under the LTI scheme (LTI shares) were granted on 28 March 2018. Under the LTI Plan, the Company LTI shares to employees for nil consideration in addition to the cash remuneration with no conditions other than continuous service. The LTI shares awards for executives are determined based on 30% of the annual remuneration with the number of shares being calculated by reference to the 5-day volume weighted average market price (VWAP) of the Company's Shares on the first business day following the ASX release of each Quarterly Activities and Cashflow Report at each annual reporting date. The LTI shares are based on a fixed value capped at the maximum LTI shares based on floor price of \$0.25 each.

The number of LTI Shares will issued annually in three tranches for the years ended 30 June 2018, 30 June 2019 and 30 June 2020. The LTI shares vest annually on 30 June 2018, 30 June 2019 and 30 June 2020. If an executive ceases employment before the rights vest, the rights will be forfeited. The fair value of the LTI shares is determined based on the market price of the Company's shares at the grant date, with an adjustment made to take into account the vesting periods.

	Grant Date	Vesting Date	Grant date value (\$)
Tranche 1	20 March 2018	30 June 2018	\$0.18
Tranche 2	20 March 2018	30 June 2019	\$0.09
Tranche 3	20 March 2018	30 June 2020	\$0.09

The table below shows how many LTI shares were granted, vested and forfeited during the year.

2020	Year Granted	Balance at start of year (Number)	Granted during the year (Number)	Vested (Number)	Forfeited (Number)	Balance at end of year (unvested) (Number)	Maximum value yet to vest (\$)
S Challa	2018	514,286	-	514,286	-	-	-
D Smith	2018	428,571	-	428,571	-	-	-
T Lynch	2018	205,714	-	85,667	120,047	-	-
J Cook	2020	-	205,714 <sup>1</sup>	205,714	-	-	-

<sup>1</sup> 205,714 LTI shares were granted to J Cook on 29 January 2020. There were no performance conditions attached to this grant. The fair value on grant date was \$0.11.

## Directors' Report

### Remuneration Report (Audited) (cont'd)

2019	Year Granted	Balance at start of year (Number)	Granted during the year (Number)	Vested (Number)	Forfeited (Number)	Balance at end of year (unvested) (Number)	Maximum value yet to vest ** (\$)
S Challa	2018	1,028,572	-	514,286	-	514,286	\$92,571
D Smith	2018	857,142	-	428,571	-	428,571	\$77,142
T Lynch	2018	411,428	-	205,714	-	205,714	\$37,028

#### Options

No options were issued to key management personnel during the year ended 30 June 2020.

#### (I) Key Management Personnel Shareholdings

##### (i) Option holdings of key management personnel in SenSen Networks Limited

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

	Name	Grant Date	Vesting Date	Expiry Date	Exercise Price	No. of options granted	No. of options vested	% options vested	Value per option at grant date
Tranche 1	S Challa	30 Nov 2017	30 Nov 2017	4 Dec 2020	25c, 35c and 45c in equal proportion	6,600,000	6,600,000	100%	\$0.0632, \$0.0472, \$0.0366
Tranche 2	S Challa	20 March 2018	See conditions below.	30 Sept 2021	See conditions below.	6,600,000	6,340,620	96%	\$0.0801
Tranche 3	S Challa	20 March 2018	See conditions below.	30 Sept 2022	See conditions below.	6,600,000	to be determined	0%	\$0.0801
Tranche 1	D Smith	30 Nov 2017	30 Nov 2017	4 Dec 2020	25c, 35c and 45c in equal proportion	4,500,000	4,500,000	100%	\$0.0632, \$0.0472, \$0.0366
Tranche 2	D Smith	20 March 2018	See conditions below.	30 Sept 2021	See conditions below.	4,500,000	4,323,150	96%	\$0.0801
Tranche 3	D Smith	20 March 2018	See conditions below.	30 Sept 2022	See conditions below.	4,500,000	to be determined	0%	\$0.0801

## Directors' Report

### Remuneration Report (Audited) (cont'd)

Tranche 2	T Lynch	20 March 2018	See conditions below.	30 Sept 2021	See conditions below.	1,234,286	1,185,778	96%	\$0.0801
Tranche 3	T Lynch	20 March 2018	See conditions below.	30 Sept 2022	See conditions below.	1,234,286	to be determined	0%	\$0.0801
						<b>35,768,572</b>	<b>22,949,548</b>		

If all of the above options granted to Key Management Personnel were to vest and be exercised, excluding the time value of money, the Company could receive cash proceeds of up to a maximum of \$8,313,766 on the potential exercise of these options in the period from the vesting date to their expiry date which extends to 30 September 2022. It is not expected that all options that have been granted will vest.

The value at grant date is calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

During the year, no options were exercised by directors or other key management personnel.

Tranche 1 LTI Incentive Options have exercise prices of \$0.25, \$0.35 and \$0.45 in three equal lots with no performance conditions.

Tranche 2 and 3 LTI Performance Options were granted on the basis of the following conditions. 96% of Tranche 2 have vested in accordance with performance conditions while the performance conditions for Tranche 3 have not been met and 0% of these options will now vest.

Issue conditions	Exercise Price
<p><u>Tranche 2</u></p> <p>Upon satisfaction of the following hurdle:</p> <ul style="list-style-type: none"> <li>LTI Options (Performance) are only issued should the Company increase its year on year revenue, commencing from the audited revenue of \$2,065,570, as reported in the 2017 Annual Report of SenSen P/L.</li> <li>LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2017 to 2018 or no LTI Options (Performance) will be issued.</li> </ul>	<p>Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018</p>
<p><u>Tranche 3</u></p> <p>Upon satisfaction of the following hurdle:</p> <ul style="list-style-type: none"> <li>LTI Options (Performance) are only issued should the Company increase its year on year audited revenue, as reported in the 2019 Annual Report.</li> <li>LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2018 to 2019 or no LTI Options (Performance) will be issued.</li> </ul>	<p>Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2019</p>

## Directors' Report

### Remuneration Report (Audited) (cont'd)

#### Fair value of options granted

The fair value of the equity-settled share options is estimated as at the date of grant using Black Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used in the valuation of the options granted in 2018.

	Tranche 1	Tranche 2	Tranche 3
Expected Volatility	65%	65%	65%
Risk-free rate	2.03%	2.10%	2.10%
Expected life	3 years	3 years	3 years
Dividend yield	0%	0%	0%
Weighted average exercise price	\$0.35	\$0.25	\$0.25
Share price at grant date	\$0.18	\$0.18	\$0.18

2020	Balance at 1 July 2019	Granted as remuneration	Options not vested due to performance conditions not met	Options forfeited or lapsed	Balance as at 30 June 2020	Total Vested	Total Non-vested
S Challa	12,940,620	-	-	-	12,940,620	12,940,620	-
D Smith	8,823,150	-	-	-	8,823,150	8,823,150	-
T Lynch	1,185,778	-	-	-	1,185,778	1,185,778	-

2019	Balance at 1 July 2018	Granted as remuneration	Options not vested due to performance conditions not met	Options forfeited or lapsed	Balance as at 30 June 2019	Total Vested	Total Non-vested
S Challa	19,540,620	-	(6,600,000)	-	12,940,620	12,940,620	-
D Smith	13,323,150	-	(4,500,000)	-	8,823,150	8,823,150	-
T Lynch	2,420,064	-	(1,234,286)	-	1,185,778	1,185,778	-



## Directors' Report

### Remuneration Report (Audited) (cont'd)

#### (ii) Shareholdings of key management personnel in SenSen Networks Limited

2020	Balance at 1 July 2019	LTI Shares issued as remuneration	Shares issued on exercise of options	Other changes during the year (ii)	Balance held at 30 June 2020
<b>Directors</b>					
S Challa	79,453,542	514,286	-	250,000	80,217,828
D Smith	11,140,586	428,571	-	50,000	11,619,157
Z Pasieczny	46,876,259	-	-	-	46,876,259
J Ko	50,000	-	-	-	50,000
H Scheibenstock	-	-	-	227,300	227,300
<b>Other KMP</b>					
Tony Lynch	411,428	85,667	-	-	497,095
J Cook (i)	-	205,714	-	-	205,714
<b>Total</b>	<b>137,931,815</b>	<b>1,234,238</b>	<b>-</b>	<b>527,300</b>	<b>139,693,353</b>

2019	Balance at 1 July 2018	LTI Shares issued as remuneration	Shares issued on exercise of options	Other changes during the year (ii)	Balance held at 30 June 2019
<b>Directors</b>					
S Challa	78,539,256	-	-	400,000	78,939,256
D Smith	9,336,278	-	-	1,375,737	10,712,015
Z Pasieczny	46,376,259	-	-	500,000	46,876,259
J Ko	-	-	-	50,000	50,000
H Scheibenstock	-	-	-	-	-
<b>Other KMP</b>					
Tony Lynch	205,714	-	-	-	205,714
<b>Total</b>	<b>134,457,507</b>	<b>-</b>	<b>-</b>	<b>2,325,737</b>	<b>136,783,244</b>

- (i) J Cook was appointed as Chief Financial Officer on 5 February 2020.
- (ii) A further 527,300 shares were acquired on market by directors during the year (2019: 2,325,737).
- (iii) There were 1,148,571 shares granted by directors during the 2019 year that should have been included in the Balance at 30 June 2019.

None of the shares above are held nominally by the directors or any of the other key management personnel.

## Directors' Report

### Remuneration Report (Audited) (cont'd)

#### (m) Loans from key management personnel

On 29 May 2019, a loan agreement was executed with Subhash Challa (director) to provide the Company an unsecured loan facility of \$500,000. Loans outstanding from this facility as at 30 June 2020 amounted to \$400,101 (2019: \$320,000). The loan is repayable in full on 31 December 2019 or such later date as mutually agreed by the parties. Interest is payable on this loan at the rate of 4.95% per annum. In addition to the loan, interest payable for the year amounted to \$18,948 (2019: \$1,320). The principal and accrued interest is payable on maturity date.

#### (n) Other transactions with key management personnel

The Company made related party payments totalling \$125,000 in the March 2020 quarter, comprising a payment to Heather Scheibenstock for strategic advice on the casino gaming vertical.

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2020 or 30 June 2019.

#### (o) Service Agreements with key management personnel

The Company's policy is to enter into service contracts with executive directors and senior executives on appointment that are unlimited in term but capable of termination on specified notice periods; and that the Company has the right to terminate the contract immediately by making payment equal to the specified notice period as pay in lieu of notice other than for misconduct when termination is immediate. The executive directors and senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave.

The service contract outlines the components of remuneration paid to the executive directors and key management personnel but does not prescribe how remuneration levels are modified year to year.

Details of contracts with the current Directors and KMP of the Group that received remuneration during the 2020 financial year are set out below:

Director / KMP	Terms of Agreement	Base salary including superannuation	Termination benefit	Notice period
S Challa	Ongoing	\$262,800	6 Months	6 Months
D Smith	Ongoing	\$218,999	6 Months	6 Months
Z Pasieczny	Ongoing	\$42,048	Not Applicable	Not Applicable
J Ko	Resigned on 13 March, 2020	Not Applicable	Not Applicable	Not Applicable
H Scheibenstock	Ongoing	\$140,160	1 Month	1 Month
T Lynch	Consultant, Resigned on 4 Feb, 2020	Not Applicable	Not Applicable	Not Applicable
J Cook	Consultant, Appointed on 5 Feb, 2020, Ongoing	\$96,000	1 Month	1 Month

### End of Remuneration Report (Audited)

## Directors' Report

### Auditor's Independence Declaration

The directors received the Independence Declaration from the lead auditor of SenSen Networks Limited which is appended to this report on page 42.

### Non-Audit Services

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, BDO Audit Pty Ltd, and its related practices:

Other non-assurance services	\$
Tax compliance services	30,181
	<b>30,181</b>

Details of the amounts paid or payable to the Company's auditor and related practices of the auditor for audit and non-audit services provided during the year are set out above. The Board has considered the position and in accordance with advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act.

### Indemnifying and Insurance of Directors and Officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors and key management personnel of the Company as named above, the Company Secretary, and all executive officers of the Company against any liability incurred as such by Directors, the Secretary or Executive Officers to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnification has been obtained for the auditors of the Company or the Group.

### Proceedings on Behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

This report has been signed in accordance with a resolution of the directors.



Subhash Challa, Chairman  
30 September 2020

## Corporate Governance Statement

SenSen Networks Limited (“the Company”) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4rd edition) (CGPR) published by the ASX Corporate Governance Council.

The 2020 corporate governance statement reflects the corporate governance practices in place throughout the financial year ending 30 June 2020. The updated corporate governance statement was approved by the Board on 30 September 2020. A description of the group's current corporate governance practices is set out in the group's Corporate Governance statement which can be viewed on the Company's website at ([www.sensennetworks.com](http://www.sensennetworks.com)).

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of the Board and management and how their performance is monitored and evaluated.

#### Recommendation 1.1

A listed entity should have and disclose a board charter setting out:

- (a) the respective roles and responsibilities of its Board and management; and
- (b) those matters expressly reserved to the Board and those delegated to management.

#### Disclosure

The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Company has a Board Charter approved by Directors which sets out the specific responsibilities of the Board which are:

- appointment of the Chief Executive Officer/Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half-yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;
- monitoring progress in relation to the Company's diversity objectives and compliance with its diversity policy;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

The Board has delegated to the Executive Chairman/Chief Executive Officer, and through that officer to other Senior Management, the authority and responsibility for managing the everyday affairs of the Company.

### Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a Director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

#### Disclosure

Appropriate checks are undertaken prior to appointing a person as a Director or senior executive and or putting someone forward for election as a Director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Candidates who the Board consider are suitable for appointment as Directors are appointed and stand for election at the next AGM, in accordance with the Constitution. The Company includes in the Notice of Meeting for the AGM all material information known to the Company which is relevant to a decision whether or not to elect or re-elect a Director. This information includes biographical information, details of other material directorships currently held by the candidate, any adverse information revealed by the checks performed, a statement as to whether in the Board's opinion the candidate will qualify as an independent director and a statement by the Board as to whether it supports the election or re-election of the candidate.

### Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

#### Disclosure

The Company has written agreements with each of the Directors and senior executives setting out the terms of their appointment.

### Recommendation 1.4

The Company Secretary of a listed Company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

#### Disclosure

The Company Secretary is accountable directly to the Board through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is responsible for facilitating good information flows within the Board and its committees and between senior executives and Directors, as well as the induction of new Directors and the ongoing professional development of all Directors.

The Company Secretary is responsible for monitoring compliance with the Board's procedures and for advising the Board, through the chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board. David Smith remains the Company Secretary.

### Recommendation 1.5

A listed entity should:

- (a) have and disclose a diversity policy;
- (b) through its board or a committee of the Board set measurable objectives for achieving gender diversity in the composition of its Board, senior executives and workforce generally; and
- (c) disclose in relation to each reporting period:

- (1) the measurable objectives set for that period to achieve gender diversity;
- (2) the entity's progress towards achieving those objectives; and
- (3) either:
  - (A) the respective proportions of men and women on the Board in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
  - (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its Board should be to have not less than 30% of its Directors of each gender within a specified period.

### **Disclosure and Departure**

The Company has a diversity policy in place which promotes diversity and inclusion regardless of employees' experiences, perspectives, professional skills, gender, gender identity, age, sexual orientation, marital or family status, disabilities, ethnicity, religious beliefs, cultural and socioeconomic backgrounds.

The Board considers that the Company is currently too small and new to incorporate specific gender diversity targets into its hiring process. However, the Company values, recognises, and respects diversity in all respects and our workforce is made up of individuals with diverse skills, backgrounds, perspectives, growth, and needs for specific gender diversity targets periodically.

The diversity policy entrusts the Board with the responsibility for designing and overseeing the implementation of the diversity policy.

Under the diversity policy, the Board is:

- required to develop initiatives that will promote and achieve diversity goals;
- responsible for reviewing this diversity policy and will assess the status of diversity within the Company and the effectiveness of this policy in achieving the measurable objectives (if any at the time) which have been set to achieve diversity;
- responsible for assessing the need for specific and measurable gender diversity targets periodically, and if required, setting those targets; and
- responsible for assessing the effectiveness of the Company's diversity objectives each year.

### **Recommendation 1.6**

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

### **Disclosure**

The Board has implemented an annual process for evaluating the performance of the Board, its committees and individual Directors in the last financial year.

During 2019 the Audit and Risk committee formulated a Board Effectiveness Evaluation Survey used to evaluate Board performance and recommend appropriate improvements.

The Board adopted and implemented the evaluation survey in October 2019 as part of an annual process. The results of the survey are then presented and discussed at the board meeting.

Selection and re-appointment of Directors candidates for the Board are considered and selected by reference to a number of factors, which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability

to undertake board duties and responsibilities. Directors are initially appointed by the full Board subject to election by shareholders at the following general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director, other than the Executive Chairman, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment, or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company.

At each annual general meeting a minimum of one Director, or a third of the total number of Directors, must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting.

#### **Recommendation 1.7**

A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
- (b) disclose, for each reporting period whether a performance evaluation was undertaken in accordance with that process during or in respect of that period.

#### **Disclosure and Departure**

The Company is in the process of implementing a formal process for periodically evaluating the performance of its Senior Executives. Currently, the Chief Executive monitors the performance of senior executives. The Company will continue to disclose its current approach in its annual reports.

### **PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE**

#### **Recommendation 2.1**

The Board of a listed entity should:

- (a) have a nomination committee which:
  - (1) has at least three members, a majority of whom are independent Directors; and
  - (2) is chaired by an independent director,and disclose
  - (3) the charter of the committee;
  - (4) the members of the committee; and
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

#### **Disclosure and Departure**

The Company does not have a Nomination Committee as the Directors believe that the size of the Company and the Board does not warrant the formation of such committee. All Board nomination matters are considered by the whole Board.

The Board oversees the appointment and induction process for Directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

#### **Recommendation 2.2**

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

#### Disclosure

The Board has adopted a Board skills matrix, which is available on its website. The Board intends on reviewing and updating the Board skills matrix periodically as the Company grows and the needs of the Company change.

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report of this Annual Report.

#### Recommendation 2.3

A listed entity should disclose:

- (a) the names of the Directors considered by the Board to be independent Directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and
- (c) the length of service of each director.

#### Disclosure and Departure

As at 30 June 2020 the Board comprised two executive Directors including the Chairman and two non-executive directors, one of whom was independent as disclosed below.

Director	Reason for Non-Independent Classification
Subhash Challa	A substantial shareholder and engaged as Chief Executive Officer of the Company from 13/10/2017-present
David Smith	Executive director of the Company from 18/8/2011-present
Zenon Pasieczny	A substantial shareholder and a director of the Company from 13/10/2017-present
Heather Scheibenstock	Independent director of the Company from 7 September 2018 to 5/07/2020. Heather moved to an Executive Director position on 6 July 2020.

The Board will continually assess the independence of each Director it appoints in light of the interests disclosed by them. That assessment will be made at least annually at, or around the time, that the Board considers for election to the Board, and each independent Director is required to provide the Board with all relevant information for this purpose.

#### Statement concerning availability of independent professional advice

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chairman for incurring such an expense, the Company will pay the reasonable expenses associated with obtaining such advice.

The length of service of each Director is as follows:

Dates	Board Members	Independent/Non-Independent
18/8/2011-current	David Smith	Non-Independent
13/10/2017-current	Subash Challa	Non-Independent
13/10/2017-13/03/2020	Jason Ko	Non-Independent
13/10/2017-current	Zenon Pasieczny	Non-Independent
07/09/2018-current	Heather Scheibenstock	Independent till 05/07/2020. Non-Independent from 06/07/2020.



The Board supports the appointment of Directors who bring a wide range of business and professional skills and experience to the Company. Directors are appointed in accordance with the constitution of the Company and are appointed for a period of three years or until the third annual general meeting following their appointment (whichever is longer).

#### **Recommendation 2.4**

A majority of the Board of a listed entity should be independent Directors.

#### **Disclosure and Departure**

As at 30 June 2020, only one member of the Board was an Independent Director.

Given the size and scope of the Company's operations, the Board considers that it is appropriately structured relevant to the Company's current business. However, the Board is cognisant that, as the Company expands and develops its activities, the Board will be required to review and restructure its composition to meet the most appropriate requirements.

The Company does not currently have any independent Directors as Ms Heather Scheibenstock moved to an Executive director role within the Company on 6 July 2020. The Board is cognisant of the value of having a Board with a majority of independent Directors and will strive to achieve this in the future as SenSen grows. The Board acknowledges the need to introduce independent Directors to the Board and is actively looking for suitably qualified candidates.

#### **Recommendation 2.5**

The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

#### **Disclosure and Departure**

The Executive Chairman and CEO of the Company, Subhash Challa, is not an Independent Director. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured relevant to the Company's current business. The Board considers that the experience, skills and expertise that Mr Subhash Challa brings to the role outweighs the benefits of an independent chairman. However, the Board is cognisant that, as the Company expands and develops its activities, the Board will be required to review and restructure its composition to meet the most appropriate requirements.

The Board acknowledges the need to appoint an independent Chairperson to the Board and is actively looking for a suitably qualified candidate.

#### **Recommendation 2.6**

A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively.

#### **Disclosure**

The company has developed a formal induction manual for new directors. This includes information about the Company and the corporate governance structure, current issues and strategy. Directors also have the opportunity to meet with management to understand the business operations.

Each Director of the Company has the right to seek independent professional advice at the expense of the Company, and the Company provides appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. Prior approval of the Chairman is required, and this will not be unreasonably withheld.

### **PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY**

A listed entity should act ethically and responsibly.

#### **Recommendation 3.1**

A listed entity should articulate and disclose its values.

##### **Disclosure**

The Company's statement of values is contained in its Code of Conduct, which can be found on the Company's website.

#### **Recommendation 3.2**

A listed entity should:

- (a) have and disclose a code of conduct for its Directors, senior executives and employees; and
- (b) ensure that the Board or a committee of the Board is informed of any material breaches of that code.

##### **Disclosure**

The consolidated entity recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics. All Directors and employees are required to act in accordance with the law and with the highest standard of propriety.

The Company has a formal Code of Conduct setting out its core values. The Company requires that each director and officer of the Company must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdiction in which the Company operates.

Contractors and others employed by the Company should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company. The practices of the Board are aimed at promoting ethical and responsible decision making. The Board strives for good corporate governance and industry best practice. It specifically requires Directors and employees to:

- avoid situations which may give rise to a conflict of interest;
- avoid situations where they may gain any benefit which competes with the Company's business;
- read and confirm that they understand the Company's policies;
- comply with laws and regulations;
- properly use the Company's assets for legitimate business purposes; and
- maintain confidentiality in both the Company's business and the information of its clients and shareholders.

Each director is required to disclose any interest which might create a potential conflict of interest with his or her duties as a director or which might affect their independence.

There must be no conflict, or perception of a conflict, between the interests of any Company director, officer or employee and the responsibility of that person to the stakeholders. All Directors, officers and employees may never improperly use their position for personal or private gain to themselves, a family member, or other associated person. Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking place.

#### **Recommendation 3.3**

A listed entity should:

- (a) have and disclose a whistleblower policy; and
- (b) ensure that the Board or a committee of the board is informed of any material incidents reported under the policy.

## Disclosure

The Company has adopted a whistleblower policy. This policy encourages employees to raise any concerns and report instances of illegal, unacceptable, or undesirable conduct within the Company. The policy deals with (among other things):

- how employees can make reports about any of the above behaviours anonymously and/or, confidentially, securely, and outside of business hours;
- the procedures following disclosure by an employee;
- how investigations will be conducted by the Company;
- reporting of the outcome of the investigations; and
- communications to whistleblowers.

## Recommendation 3.4

A listed entity should:

- (a) have and disclose an anti-bribery and corruption policy; and
- (b) ensure that the Board or a committee of the Board is informed of any material breaches of that policy.

## Disclosure

The Company has adopted an anti-bribery and corruption policy.

This policy outlines the Company's stance in relation to bribes, corruption, and other improper payments or benefits received or given by the Company and its personnel and the damage to the Company's reputation and good standing in the community.

The policy provides a framework under which gifts or benefits over \$200 are either to be rejected by the recipient or recorded in the Company's gift and entertainment register that is maintained by the CFO.

## PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

## Recommendation 4.1

The Board of a listed entity should:

- (a) have an audit committee, which:
  - (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and
  - (2) is chaired by an independent director, who is not the chair of the Board, and disclose:
    - (3) the charter of the committee;
    - (4) the relevant qualifications and experience of the members of the committee; and
    - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

## Disclosure and Departure

The Company is not fully compliant with this principle. In the last financial year, the audit and risk committee had an independent chairperson, Heather Scheibenstock, two executive Directors, Subhash Challa and David Smith, and two non-executive directors, Zenon Pasieczny and Jason Ko\*. The Details of these Directors' qualifications and

attendance at audit committee meetings are set out in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

Members of the Committee have relevant qualifications and experience in financial matters and have a good understanding of the industry in which the Company operates.

The Audit & Risk Committee plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and ensuring the independence of the Company auditor. The terms of reference for the committee incorporate policies and procedures to ensure an effective focus from an independent perspective.

The Audit & Risk Committee oversees and appraises the quality of the audits conducted by the auditors and emphasises areas where the Committee believes special attention is required. The external auditor is BDO. BDO's appointment will be reviewed periodically in line with industry best practice. The Board believes in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate the Company's external audit partner.

The Audit & Risk Committee also reviews the effectiveness of administrative, operating and accounting controls. Jason Ko resigned on 13 March 2020.

#### **Recommendation 4.2**

The Board of a listed entity should, before it approves the entity's financial statements for the financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### **Disclosure**

Before it approves the Company's financial statements for a financial period, the Board receives from its Managing Director and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with appropriate accounting standards. The declaration also states that the financial records give a true and fair view of the financial position and performance of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

#### **Recommendation 4.3**

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

#### **Disclosure**

The Company verifies the integrity of any periodic corporate report that it releases that has not been audited or reviewed by an external auditor by thorough internal Board and senior management review, including detailed financial analysis and cross-checking contractual arrangements with customers, suppliers and other stakeholders.

### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

#### **Recommendation 5.1**

A listed entity should Have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

## Disclosure

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level.

The Board is committed to complying with continuous disclosure requirements and issues announcements to the ASX on matters that may have a material effect on the Company's securities.

The Company's continuous disclosure policy is designed to meet market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by the Company.

SenSen Networks' ASX announcements are also posted on the Company's website and emailed to shareholders who have subscribed to the Company's email alerts.

### Recommendation 5.2

A listed entity should ensure that its Board receives copies of all material market announcements promptly after they have been made.

## Disclosure

The Company has adopted a Disclosure and Communication Policy which specifically requires that all material market announcements be provided to the Board promptly after release to the market.

### Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation material on the ASX Market Announcements Platform ahead of the presentation.

## Disclosure

The Company's Continuous Disclosure and Shareholder Engagement Policy which specifically requires that all substantive investor or analyst presentations be released to the market prior to the relevant presentation being made.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

### Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

## Disclosure

The Company provides information about itself and its governance to investors via its website [www.sensennetworks.com](http://www.sensennetworks.com). The names and brief biographical information for each of the Company's Directors and senior executives can be found under the "Company" section of the website.

The Company has included in the "Investors" section of its website links to copies of its ASX announcements, Financial Reports, Research Reports, Analyst Briefings and Shareholder Information.

Procedures have also been established for reviewing whether any material price-sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The Company's contact details can also be found on the website.

### **Recommendation 6.2**

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

#### **Disclosure**

The Company has an investor relations program and actively engages with security holders, meets with them upon request and responds to any enquiries. Communication channels for investors include two-way interaction via the SenSen Networks website, an investor roadshow program and an outsourced investor relations function through a professional agency. The Company also has ad hoc interaction with brokers, institutional investors, analysts and financial media when required.

### **Recommendation 6.3**

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

#### **Disclosure and Departure**

The Company has no formal process in place to facilitate and encourage participation at meeting of security holders. Shareholders are, however, encouraged to participate at general meetings.

### **Recommendation 6.4**

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

#### **Disclosure and Departure**

The Company's current Constitution provides SenSen with the ability to decide any resolution on a poll. The Company is seeking to amend its Constitution at the next AGM to include the requirement for all Listing Rules resolutions to be decided on a poll.

### **Recommendation 6.5**

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

#### **Disclosure**

The Company's security holders may elect to receive information from SenSen and its registry electronically. Otherwise, the Company and its registry will communicate by post with security holders who have not elected to receive information electronically. Further, security holders can email or otherwise contact the Company by visiting the "Get in Touch" section of the website.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

### **Recommendation 7.1**

The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (1) has at least three members, a majority of whom are independent directors; and
  - (2) is chaired by an independent director:  
and disclose:
    - (3) the charter of the committee;

- (4) the members of the committee; and
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

### **Disclosure and Departure**

The Company has a combined Audit and Risk Committee, the membership of which is not fully compliant with this principle. In the last financial year, the audit and risk committee had an independent chairperson, two non-executive directors and two executive directors.

The members of the committee have the necessary technical knowledge and understanding of the industry in which the entity operates to be able to discharge the committee's mandate effectively.

The details of these directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

The Board has disclosed the Charter of the Committee, which may be found on the Company's website in the section titled "Investor Centre/Corporate Governance". A summary of the Company's Risk Management objectives can also be found in this section. The members of the Audit and Risk Committee were Messrs Scheibenstock, Ko (resigned 13 March 2020), Challa, Smith and Pasieczny. The Committee held four meetings during the Reporting Year.

The table set out in the Directors' Report of this Annual Report under the heading "Directors' Meetings" shows the members' attendance at Committee meetings.

### **Recommendation 7.2**

The Board or a committee of the Board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

### **Disclosure**

The Board, and the Audit and Risk Committee, reviews the Company's risk management framework at least annually to satisfy itself that it continues to be sound, that the Company is operating with due regard to the risk appetite set by the Board, and such a review was carried in the past financial year.

The Board has required management to implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively.

### **Recommendation 7.3**

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

### **Disclosure and Departure**

The Company does not have an internal audit function. The processes the Company employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes include the fact that individual Directors' claims for expenses are approved by the Board.

A member of the Audit and Risk Committee periodically reviews the Company's controls and spot-checks that the necessary procedures have been followed.

#### **Recommendation 7.4**

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

#### **Disclosure**

The Company discloses its material exposure to economic, environmental and social sustainability risks, and how it manages those risks in ASX announcements and in its Annual Report.

#### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

#### **Recommendation 8.1**

The Board of a listed entity should:

- (a) have a remuneration committee which:
  - (1) has at least three members, a majority of whom are independent Directors; and
  - (2) is chaired by an independent Director, and disclose:
    - (3) the charter of the committee;
    - (4) the members of the committee; and
    - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

#### **Departure and Departure**

The Company has not established a separate Remuneration Committee with the Board considering Board nomination matters. Given the current size and composition of the Company, the Board is unable to meet the requirement that a separate Remuneration Committee is established consisting of a majority of Independent Directors and chaired by an independent Chair.

The Board believes that there would currently be no efficiencies gained by establishing a separate Remuneration Committee and accordingly, the remuneration functions have been delegated to the Board. The Board deals with any conflicts of interest that may occur when acting in the capacity of the Remuneration Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.

The processes the Company employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive, are disclosed in the Remuneration Report in the Company's Annual Report.

#### **Recommendation 8.2**

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

#### **Disclosure**

Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance.



Remuneration and bonuses for Executive Directors and Senior Executives consist of a base salary and performance incentives. Long-term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered competitive base salaries at market rates, which are reviewed to ensure market competitiveness.

### **Recommendation 8.3**

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

### **Disclosure**

As at 30 June 2020, the Company had an equity-based remuneration scheme (**Long Term Incentive Plan**) and details of incentives on issue in the Long-Term Incentive Plan can be found in the Remuneration Report.

The Board approved the Company's Long-Term Incentive Plan Rules on 25 October 2017 and details are posted on the Company's website. Long-term incentive awards to key management personnel and staff were approved at the Company's AGM on 30 November 2017.

Throughout the period, the Company Long Term Incentive Scheme was in effect, the Company also had a policy that provided that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the scheme.

### **PRINCIPLE 9: ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES**

The Company advises that Recommendations 9.1, 9.2, and 9.3 are not applicable to the Company.

## DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF SENSEN NETWORKS LIMITED

As lead auditor of SenSen Networks Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SenSen Networks Limited and the entities it controlled during the period.



**T R Mann**  
Director

**BDO Audit Pty Ltd**

Brisbane, 30 September 2020

For personal use only

## Consolidated Statement of Profit or Loss and Other Comprehensive Income FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		2020	2019
		\$	\$
<b>Revenue from contracts with customers</b>			
Sales Revenue	3	3,763,526	3,727,414
Cost of Sales		(997,047)	(2,080,258)
Gross Profit		2,766,479	1,647,156
Other income	3	1,538,587	940,496
Interest income	3	18,493	15,960
<b>Expenses</b>			
Consulting expense		(1,364,409)	(897,651)
Research and development expense	4	(2,898,462)	(2,757,438)
Staff costs – share based payments	4	(290,405)	(1,287,967)
Occupancy expense		(170,687)	(123,723)
Marketing expense		(98,207)	(342,425)
Administration expense	4	(3,035,109)	(2,320,212)
Finance costs	4	(156,442)	(15,466)
<b>Loss before income tax</b>		<b>(3,690,162)</b>	<b>(5,141,270)</b>
Income tax expense	5	(15,073)	(136,528)
<b>Loss for the period</b>		<b>(3,705,235)</b>	<b>(5,277,798)</b>
Loss attributable to members of the parent entity		(3,705,235)	(5,277,798)
		<b>(3,705,235)</b>	<b>(5,277,798)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign controlled entities		(19,314)	(122,824)
<b>Total other comprehensive loss</b>		<b>(19,314)</b>	<b>(122,824)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(3,724,549)</b>	<b>(5,400,622)</b>
<b>Total comprehensive income for the period attributable to:</b>			
- Members of the parent entity		<b>(3,724,549)</b>	<b>(5,400,622)</b>
<b>Loss per share:</b>			
Basic and diluted loss per share (cents)	6	<b>(0.85)</b>	<b>(1.27)</b>

The above Consolidated 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 2020

	Note	Consolidated	
		2020	2019
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	2,462,642	1,972,205
Trade and other receivables	10	743,703	735,811
Contract assets	11	558,169	234,886
Inventory	12	802,908	-
Other assets		138,310	117,215
<b>Total Current Assets</b>		<b>4,705,732</b>	<b>3,060,117</b>
<b>Non-Current Assets</b>			
Other receivables		50,515	56,190
Right of use asset	1(d)	386,672	-
Property, plant and equipment	13	352,911	474,205
<b>Total Non-Current Assets</b>		<b>790,098</b>	<b>530,395</b>
<b>TOTAL ASSETS</b>		<b>5,495,830</b>	<b>3,590,512</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	1,094,691	1,463,987
Tax liabilities		14,347	1,509
Contract liabilities	14	1,399,926	281,837
Other liabilities	14	119,935	-
Employee benefits	14	321,868	42,429
Lease Liabilities	1(d)	234,878	-
Borrowings	15	1,312,767	1,324,667
<b>Total Current Liabilities</b>		<b>4,498,412</b>	<b>3,114,429</b>
<b>Non-Current Liabilities</b>			
Employee benefits	14	78,680	-
Lease liabilities	1(d)	197,288	-
<b>Total Non-Current Liabilities</b>		<b>275,968</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>4,774,380</b>	<b>3,114,429</b>
<b>NET ASSETS</b>		<b>721,450</b>	<b>476,083</b>
<b>EQUITY</b>			
Issued capital	16	33,159,693	29,463,614
Reserves	17	3,481,720	3,210,629
Accumulated losses		(35,919,963)	(32,198,160)
<b>TOTAL EQUITY</b>		<b>721,450</b>	<b>476,083</b>

The above Consolidated 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 2020

<b>Consolidated</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Reserves</b>	<b>Total Equity</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>28,731,865</b>	<b>(26,920,362)</b>	<b>2,045,486</b>	<b>3,856,989</b>
Loss for the period	-	(5,277,798)	-	(5,277,798)
Other comprehensive loss for the period	-	-	(122,824)	(122,824)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(5,277,798)</b>	<b>(122,824)</b>	<b>(5,400,622)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued during the year	731,749	-	-	731,749
Share Based Payments	-	-	1,287,967	1,287,967
<b>Total transactions with owners for the period</b>	<b>731,749</b>	<b>-</b>	<b>1,287,967</b>	<b>2,019,716</b>
<b>Balance at 30 June 2019</b>	<b>29,463,614</b>	<b>(32,198,160)</b>	<b>3,210,629</b>	<b>476,083</b>
Effect of Adoption of AASB16 (see Note 1)	-	(16,568)	-	(16,568)
<b>Balance at 1 July 2019</b>	<b>29,463,614</b>	<b>(32,214,728)</b>	<b>3,210,629</b>	<b>459,515</b>
Loss for the period	-	(3,705,235)	-	(3,705,235)
Other comprehensive income for the period	-	-	(19,314)	(19,314)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(3,705,235)</b>	<b>(19,314)</b>	<b>(3,724,549)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued during the year (see note 16)	3,696,079	-	-	3,696,079
Share Based Payments	-	-	290,405	290,405
<b>Total transactions with owners for the period</b>	<b>3,696,079</b>	<b>-</b>	<b>290,405</b>	<b>3,986,484</b>
<b>Balance at 30 June 2020</b>	<b>33,159,693</b>	<b>(35,919,963)</b>	<b>3,481,720</b>	<b>721,450</b>

The above Consolidated 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 2020

	Note	Consolidated	
		2020	2019
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,279,899	2,309,253
Payments to suppliers and employees		(8,611,061)	(7,758,165)
Interest received		18,493	15,960
Finance costs		(60,046)	(15,466)
Government grants received		1,447,119	940,496
Income tax paid		(100,902)	-
<b>Net cash used in operating activities</b>	<b>9(a)</b>	<b>(3,026,498)</b>	<b>(4,507,922)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	13	(99,996)	(396,804)
<b>Net cash used in investing activities</b>		<b>(99,996)</b>	<b>(396,804)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	16	3,329,265	-
Repayment of lease liabilities	9(b)	(220,531)	-
Proceeds from borrowings	9(b)	598,197	320,003
Repayment of borrowings	9(b)	(90,000)	-
<b>Net cash provided by financing activities</b>		<b>3,616,931</b>	<b>320,003</b>
Net increase in cash and cash equivalents		490,437	(4,584,723)
Cash and cash equivalents at beginning of the financial year		1,972,205	6,556,928
<b>Cash and cash equivalents at end of financial year</b>	<b>8</b>	<b>2,462,642</b>	<b>1,972,205</b>

The above Consolidated Statement of Cashflows should be read in conjunction with the accompanying notes.

## Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the financial statements and notes of SenSen Networks Limited, a listed public company incorporated and domiciled in Australia.

The separate financial statements of the parent entity, SenSen Networks Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 30 September 2020 by the directors of the company.

#### (a) Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements. For the year ended 30 June 2020 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Parent entity information*

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### **Significant Accounting Policies**

#### (b) Going concern basis

The consolidated financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As disclosed in the consolidated financial statements, the group has net operating cash outflows during the year ended 30 June 2020 of \$3,026,498 (30 June 2019: \$4,507,922) and as at 30 June 2020 has a net asset position of \$721,450 (30 June 2019: \$476,083). The Group also generated a loss after tax for the year of \$3,705,235 (30 June 2019: \$5,277,798).

The ability of the Group to continue as a going concern is principally dependent upon the following conditions:

- The expected realisation of customer contracts in a manner that generates operating cash inflows; and
- The ability of the Group to raise sufficient capital as and when necessary.

These conditions give rise to material uncertainty, which may cast significant doubt over the Groups ability to continue as a going concern.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- Recent history of expanding into the overseas market and continued interest in the Groups products
- Discussions with parties interested in contributing capital
- The ability to scale back expenditure as and when required to preserve cash if needed
- The directors do not expect a significant impact on the Group from COVID-19.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

#### (c) Revenue Recognition

AASB 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The 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 to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group is in business of developing and selling SenDISA platform-based products and services into two major customer markets:

- **Smart Cities:** civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.
- **Retail and Leisure:** delivering accurate actionable insights to casinos about table occupancy, hands per hour, bet type and value for every bet placed on the gaming floor.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.



## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **AASB 15 Revenue from Contracts with Customers**

###### *Sale of Hardware, Software Licence and Customised Installation*

In relation to the sale of Hardware and Software Licences, the Group concludes that these sales are highly interrelated and interdependent with the installation therefore not capable of being distinct. The performance obligation in relation to sales is satisfied when the installation is complete.

Further, the Group sells the software licences in some cases bundled with a maintenance period. After the initial period of maintenance, the customer has the option to sign-up for additional periods of maintenance.

The maintenance is distinct on its own. The software remains functional after installation without updates, support and software maintenance and therefore is not integrated with the other goods or services. Further, the customer can continue to utilise the software without the maintenance (the customer can still retain continued functionality of the software for a reasonable period of time after installation). Thus, the Group concludes that the customer can benefit from the maintenance on its own and the criterion in paragraph 27(a) of AASB 15 is met. In addition, the maintenance is distinct within the context of the contract and the criterion in paragraph 27(b) of AASB 15 is met. Maintenance is recognised over the period the services are provided. Revenue is measured on a straight-line basis, which best depicts the Group's performance.

###### *Service contracts*

###### *Identifying performance obligations*

Service contracts generally include a number of key deliverables. The Group observed that these key deliverables are considered tasks and not distinct on their own. That is, the customer cannot benefit from the good or service either on its own or together with other resources that are readily available to the customer. Therefore, the criterion in paragraph 27(a) of AASB 15 is not met. Further, the tasks are considered inputs to produce the combined output (i.e. software development of customer's new/existing software) specified in the contract (paragraph 29(a) of AASB 15). Therefore, the criterion in paragraph 27(b) of AASB 15 (on the basis of the factors in paragraph 29 of AASB 15) is not met.

The Group concludes that there is one performance obligation which is the service contracts. Revenue on service contracts is measured on a straight-line basis, which best depicts the Group's performance.

###### *Customer contracts with multiple performance obligations*

Where a customer enters into a contract for multiple performance obligations, these are accounted for based on the relative stand-alone selling price for the individual obligation. Contracts for software licences that feature integrated business solution applications, may include additional charges for professional services. Revenues of this nature are considered distinct and are individually accounted for as separate performance obligation. Fees are based on standard hourly rates and have been allocated according to their respective stand-alone selling price.

Customer contracts for transaction services are also treated as a separate performance obligation as business transactions are processed on behalf of the customer for a determined fee.

In all cases, the total transaction price for a customer contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

###### *Cost of obtaining a customer contract*

AASB 15 requires that incremental costs associated with acquiring a customer contract, such as sales commissions, are recognised as an asset and amortised over a period that corresponds with the period of benefit.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Unsatisfied performance obligations*

The Group continues to recognise its 'contract liabilities' under AASB 15 in respect of any unsatisfied performance obligations. These liabilities are disclosed as in the consolidated statement of financial position.

##### *Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

##### *Standard payment terms*

Standard payment terms on customer invoices is disclosed in note 1 (i) below.

#### **(d) Changes in Accounting Policies**

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group applies, for the first time, AASB 16 *Leases*. This accounting policy has changed from that disclosed in the 30 June 2019 financial statements. The impact of the adoption of this standard and the new accounting policy that has been applied from 1 July 2019, where it is different to that applied in prior periods, is disclosed below.

##### **AASB 16 Leases**

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019. The group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 July 2019.

##### **Nature of the effect of adoption of AASB 16**

On adoption of AASB 16, the group recognised right-of-use-assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was rate at an average of 7.9%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (d) Changes in accounting policies (continued)

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	\$
<b>Assets</b>	
Right-of-use assets	236,823
Plant and equipment	(60,044)
<b>Total assets</b>	<u>176,779</u>
<b>Liabilities</b>	
Borrowings	(54,666)
Lease liabilities	248,013
<b>Total liabilities</b>	<u>193,347</u>
<b>Net effect in accumulated losses</b>	<u><u>(16,568)</u></u>

- Right-of-use assets of \$236,823 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of \$60,044 that were reclassified from plant and equipment.
- Additional lease liabilities of \$248,013 were recognised and presented separately in the statement of financial position.
- Finance lease liability (included in borrowings) relating to finance leases was derecognised.
- The net effect of these adjustments had been adjusted to accumulated losses of (\$16,568).

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (d) Changes in accounting policies (continued)

The following table reconciles the minimum lease commitments disclosed in the Group's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019

	\$
<b>Operating lease commitments disclosed as at 30 June 2019</b>	<b>653,860</b>
(Less): Leases commitments entered subsequent to 30 June 2019	(450,000)
Operating lease commitments as at 30 June 2019	<u>203,860</u>
Weighted average incremental borrowing rate as at 1 July 2019	7.9%
Discounted using the lessee's incremental borrowing rate at the date of initial application	203,186
Add: finance lease liabilities recognized as at 30 June 2019	54,666
(Less): short-term leases recognized on a straight-line basis as expense	(9,839)
<b>Lease liabilities recognized as at 1 July 2019</b>	<b><u>248,013</u></b>
Of which are:	
- Current lease liabilities	46,171
- Non-current lease liabilities	201,842
<b>Lease liabilities recognized as at 1 July 2019</b>	248,013
Additional lease liability recognized as at 1 September 2019	371,346
Changes in lease liability in the period to 30 June 2020	(187,193)
<b>Lease liabilities as at 30 June 2020</b>	<b><u>432,166*</u></b>

\*Of which \$234,878 is current and \$197,288 is non-current.

The recognised right-of-use assets relate to the following types of assets:

	Consolidated	
	30 June 2020	1 July 2019
	\$	\$
Properties	343,957	176,779
Motor vehicles	42,715	60,044
<b>Total right-of-use assets</b>	<b><u>386,672</u></b>	<b><u>236,823</u></b>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 June 2019.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

## Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Changes in accounting policies (continued)

##### Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for 30 June 2020 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities.

Losses per share for the twelve months to 30 June 2020 would not materially change as a result of the adoption of AASB 16.

##### Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

##### Accounting policy for leases

The group leases office leases, and car. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Changes in accounting policies (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

The Group also adopted the requirements of Interpretation 23 *Uncertainty over Income Tax Treatments*, which was not considered to have a material impact given the lack of uncertain tax positions.

The following new accounting standards and interpretations have been published and are not mandatory for 30 June 2020 reporting periods. The Consolidated Group has decided against early adoption, and has not finalised an assessment as to the impacts of these new standards and interpretations:

- AASB 2018-6 (issued December 2018): Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2020-1 (issued March 2020): Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current
- AASB 2019-5 (issued November 2019): Amendments to Australian Accounting Standards – Disclosures of the effect of new IFRS standards not yet issued in Australia.
- AASB 2018-7 (Issued December 2018): Amendments to AASB 101 and AASB 108 - Definition of Material
- AASB 2020-4 (Issued June 2020) - Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions

Other standards issued but not yet effective are not expected to have a material impact on the Group.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (e) Business combinations and asset acquisitions

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of profit or loss and other comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisitions of entities that do not meet the definition of a business contained in AASB 3 Business Combinations (IFRS 3) are not accounted for as business combinations. In such cases the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in AASB 138 Intangible Assets (IAS 38) and liabilities assumed. The cost of the group of net assets is then allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

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

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

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

---

#### (f) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

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

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

Current tax assets and liabilities are offset where a 'legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

SenSen Networks Limited and its fully owned Australian subsidiary SenSen Networks Group Pty Limited have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

#### (g) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.



## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

---

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

**(i) Trade and other receivables**

Trade receivables and other receivables, both of which generally have 30-day terms, are non-interest bearing and are recognised and carried at amortised cost using the effective interest rate method, less allowance for credit losses. These receivables are classified as current assets unless not recoverable within 12 months after reporting period.

**(j) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The amounts are unsecured and are usually paid within 30 days from date of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using effective interest method.

**(k) Goods and Services Tax (GST)**

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

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

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

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (l) Property, plant and equipment

Property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

##### Depreciation

The depreciable amount of all fixed assets is depreciated on either a diminishing value or a straight-line basis over the asset's useful life from the time the asset is ready for use.

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

Class of fixed asset	Depreciation Rate per annum
Computer Equipment	33 – 50%
Furniture and Equipment	20% - 33%

The assets' residual values and useful life are reviewed and adjusted if appropriate, at the end of each reporting period. An assets recoverable amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

##### (m) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

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

##### (n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

## Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**(o) Employee benefits – short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and personal leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables

**(p) Equity-settled compensation**

The Group provides benefits to employees (including senior executives) and consultants of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, or Black-Scholes model, further details of which are given in Note 23. The fair value of shares is determined by the market value of the Group's shares at grant date.

In valuing equity-settled transactions, any performance conditions are taken into account if relevant and assumptions around the likelihood of meeting these performance conditions are factored into the valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

## Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(q) Leases**

Refer to note 1 (d) for the adoption of AASB 16 *Leases*, replacing the previous standard, AASB 117.

**(r) Inventory**

The Group's inventory consists of hardware and other finished goods, which are stated at the lower of cost and net realisable value. Cost comprises direct purchase price and is determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(s) Financial Instruments**

The Group measures financial instruments under the requirements of AASB 9. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets (trade and other receivables) and financial liabilities are classified at amortised cost, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

*Impairment of financial assets*

In determining the impairment of financial assets under AASB 9, an expected credit loss model is applied. To reflect changes in credit risk, this expected credit loss (ECL) model requires the group to account for expected credit loss since initial recognition. The Group applies the AASB 9 simplified approach to measuring expected credit losses which used lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. The contract assets relate to unbilled work in progress and unbilled software and hardware sales and have substantially the same characteristics as the trade receivables for the same types of contracts. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

## Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(u) **Foreign currency transactions and balances**

*Functional and presentation currency*

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

*Transactions and balances*

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

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

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

*Group companies*

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

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

---

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions.

*Research and development tax incentive*

The company is eligible for the Commonwealth Government research and development tax incentive. To be eligible the company must meet stringent guidelines on what represents both core and supporting activities of research and development. Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

(w) **Significant accounting judgements estimates and assumptions**

In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. The more significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) **Share-based Payments – Note 23**

The estimation of the likelihood of meeting performance conditions on Long Term Incentive Performance Options has been based on historical experience and management judgement. In addition, this estimate is assessed annually and considered in the context of actual Group performance.

(ii) **Recognition of revenue – Note 1(c)**

The Group recognises revenue from either individual or multiple element arrangements such as hosting and installation, an assessment is made as to whether these give rise to separate performance obligations which are accounted for using the methods outlined in Note 1 (c) for each individual element contained within the contract.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 2. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment.

The principal areas of operation of the group are as follows:

- Smart Cities
- Retail & Leisure

#### Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable operating segment.

	Smart Cities	Retail & Leisure	Consolidated	Smart Cities	Retail & Leisure	Consolidated
	\$	\$	\$	\$	\$	\$
	2020			2019		
<b>Segment performance</b>						
<b>Revenue</b>						
Sale of services	1,883,573	208,032	2,091,605	916,608	40,933	957,541
Sale of hardware/software	1,492,899	179,022	1,671,921	2,769,873	-	2,769,873
Other income	938,097	618,982	1,557,079	956,456	-	956,456
<b>Total Revenue (Note 3)</b>	<b>4,314,569</b>	<b>1,006,036</b>	<b>5,320,605</b>	<b>4,642,937</b>	<b>40,933</b>	<b>4,683,870</b>
Segment expenses	6,207,044	2,803,723	9,010,767	(8,948,403)	(876,737)	(9,825,140)
Segment result before tax	(1,892,475)	(1,797,686)	(3,690,162)	(4,305,466)	(835,806)	(5,141,270)
Income tax	(15,073)	-	(15,073)	(136,528)	-	(136,528)
<b>Net Loss</b>	<b>(1,907,548)</b>	<b>(1,797,686)</b>	<b>(3,705,235)</b>	<b>(4,441,992)</b>	<b>(835,806)</b>	<b>(5,277,798)</b>
Depreciation and amortisation	263,121	173,615	436,736	80,929	-	80,929
Share-based payment expense	174,969	115,436	290,405	1,287,967	-	1,287,967

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 2. SEGMENT REPORTING (continued)

	Smart Cities	Retail & Leisure	Consolidated	Smart Cities	Retail & Leisure	Consolidated
	\$	\$	\$	\$	\$	\$
	<b>As at 30 June 2020</b>			<b>As at 30 June 2019</b>		
<b>Assets:</b>						
Segment assets	3,746,819	1,749,011	5,495,830	3,558,262	32,250	3,590,512
<b>Total Assets</b>	<b>3,746,819</b>	<b>1,749,011</b>	<b>5,495,830</b>	<b>3,558,262</b>	<b>32,250</b>	<b>3,590,512</b>
<b>Liabilities:</b>						
Segment liabilities	(3,548,265)	(1,226,115)	(4,774,380)	(2,967,497)	(146,932)	(3,114,429)
<b>Total Liabilities</b>	<b>(3,548,265)</b>	<b>(1,226,115)</b>	<b>(4,774,380)</b>	<b>(2,967,497)</b>	<b>(146,932)</b>	<b>(3,114,429)</b>

The following is an analysis of the Group's revenue and non-current assets by reportable geographic segment.

	Revenue from external customers	Net Loss	Non-Current Assets	Revenue from external customers	Net Loss	Non-Current Assets
	\$		\$	\$		\$
	<b>2020</b>			<b>2019</b>		
Australia	3,323,333	(3,976,462)	622,345	3,727,414	(5,214,812)	383,449
India	-	33,645	175,158	-	38,604	161,062
Singapore	440,193	245,809	1,447,062	-	(101,590)	1,411,664
USA	-	(8,227)	-	-	-	-
Other	-	-	78	-	-	77
Inter-segment elimination	-	-	(1,454,545)	-	-	(1,425,857)
<b>Total</b>	<b>3,763,526</b>	<b>(3,705,235)</b>	<b>790,098</b>	<b>3,727,414</b>	<b>(5,277,798)</b>	<b>530,395</b>



## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 3. REVENUE AND OTHER INCOME

	Consolidated	
	2020	2019
	\$	\$
<b>Revenue from contracts with customers</b>		
Sale of hardware/software – recognised at a point in time	2,091,605	2,769,873
Sale of services – recognised over time	1,671,921	957,541
	<b>3,763,526</b>	<b>3,727,414</b>
<b>Other Income</b>		
Interest received	18,493	15,960
Gain on loan conversion to equity	133,333	-
Government subsidy/grant	62,500	56,991
Other income	15,955	4,899
Research and Development Grant	1,326,799	878,606
	<b>1,557,080</b>	<b>956,456</b>
<b>Total revenue and other income</b>	<b>5,320,606</b>	<b>4,683,870</b>

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 4. EXPENSES

Note	Consolidated	
	2020	2019
	\$	\$
Finance costs – interest paid to other persons	156,442	15,466
<b>Total Finance cost</b>	<b>156,442</b>	<b>15,466</b>
Rental expense on operating leases	(a) -	280,467
Depreciation - PPE	212,680	80,929
Depreciation – Right of use asset	224,056	-
Contributions to defined contribution superannuation funds	(b) 232,126	232,875
Other employee benefits expenses	(c) 2,956,741	3,812,530
<b>Total employee benefits expenses</b>	<b>3,188,867</b>	<b>4,045,405</b>

- (a) Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term. There is no operating lease payment in 2020 under AASB 16.
- (b) Contributions to defined contribution plans are expensed when incurred.
- (c) Employee benefits expense includes research and development costs of \$2,898,462 (2019: \$2,757,438) and staff costs – share based payments of \$290,405 (2019: \$1,287,967) as stated in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The 'Other employee benefits expense' has been increased from \$3,729,412 by \$83,118 in 2019 for presentation and comparison purposes.

#### 5. INCOME TAX

	Consolidated	
	2020	2019
	\$	\$
(a) <b>Major components of income tax benefit (expense)</b>		
<b>Current tax expense</b>		
Current tax expense	16,583	(200,491)
<b>Deferred tax expense</b>		
Adjustments in respect of current income tax of previous years	-	-
Relating to origination and reversal of temporary differences	(1,510)	337,019
<b>Total income tax expense/(benefit)</b>	<b>15,073</b>	<b>136,528</b>

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated	
	2020	2019
	\$	\$
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(3,690,162)	(5,141,270)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(1,014,794)	(1,413,849)
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Non-deductible items	105,614	353,823
(Over)/Under provision for tax in the previous year	149,390	(320,982)
Accounting expenditure subject to R&D tax incentive	797,077	756,855
Other income not included in assessable income	(485,870)	-
Other	-	(241,617)
Deferred tax asset not recognised on temporary differences	463,656	1,002,298
<b>Total Income tax expense/(benefit)</b>	<b>15,073</b>	<b>136,528</b>

	Consolidated	
	2020	2019
	\$	\$
<b>(c) Deferred Income Tax</b>		
Deferred income tax at 30 June relates to the following:		
<b>Deferred Tax Assets</b>		
Sundry creditors and accruals	19,566	20,585
Provisions	54,793	50,962
Borrowing expenses	102	352
Share issue costs	33,000	49,500
Section 40-880 Deduction	94,165	143,353
Depreciation	13,343	(3,263)
Other	266,610	
Tax losses carried forward	983,634	740,810
Deferred tax asset not recognised	(1,465,213)	(1,002,299)
	-	-

The benefit of the deferred tax asset will only be obtained if:

- (i) future assessable income of a nature and of an amount sufficient to enable the benefit to be realised is generated;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### (d) Movements in deferred tax assets

Year ended June 2020	Charged/credited to				30 June 2020
	1 July 2019	Profit or Loss	Directly to equity	Acquisition of subsidiary	
Sundry creditors and accruals	20,585	(1,019)	-	-	19,566
Provisions	50,962	3,831	-	-	54,793
Borrowing expenses	352	(250)	-	-	102
Share issue costs	49,500	(16,500)	-	-	33,000
Section 40-880 Deduction	143,353	(49,188)	-	-	94,165
Depreciation	(3,263)	16,606	-	-	13,343
Other	-	266,610	-	-	266,610
Tax Losses Carried Forward	740,810	242,824	-	-	983,634
Deferred tax asset not recognised	(1,002,299)	(462,914)	-	-	(1,465,213)
	-	-	-	-	-

Year ended June 2019	Charged/credited to				30 June 2019
	1 July 2018	Profit or Loss	Directly to equity	Acquisition of subsidiary	
Sundry creditors and accruals	29,828	(9,243)	-	-	20,585
Provisions	33,443	17,519	-	-	50,962
Borrowing expenses	601	(249)	-	-	352
Share issue costs	66,000	(16,500)	-	-	49,500
Section 40-880 Deduction	218,928	(75,575)	-	-	143,353
Depreciation	(11,781)	8,518	-	-	(3,263)
Tax Losses	-	740,810	-	-	740,810
Deferred tax asset not recognised	-	(1,002,299)	-	-	(1,002,299)
	<b>337,019</b>	<b>(337,019)</b>	-	-	-

#### (e) Franking Credits

The Group does not hold franking credits as at 30 June 2020 or 30 June 2019.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 6. EARNINGS/(LOSS) PER SHARE

	Consolidated	
	2020	2019
	Cents per Share	Cents per Share
<b>(a) Basic and diluted loss per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	(0.85)	(1.27)
<b>Total basic loss per share attributable to the ordinary equity holders of the company</b>	(0.85)	(1.27)
<b>(b) Reconciliation of earnings used in calculating loss per share</b>		
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	(3,705,235)	(5,277,798)
<b>(c) Weighted average number of shares</b>		
	Consolidated	
	2020	2019
	No	No
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	435,573,293	416,743,424

As at 30 June 2020, there are 31,454,256 (2019: 31,454,256) options outstanding. Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 7. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2020	2019
	\$	\$
Audit and review of the financial reports	228,018	102,687
Preparation of Service Organisation Controls (SOC 2) controls reports	-	76,283
Taxation compliance services	30,181	39,981
<b>Total remuneration of BDO</b>	<b>258,199</b>	<b>218,931</b>

#### 8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	2,462,642	1,972,205
--------------------------	-----------	-----------

##### Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to cash at the end of the financial year as follows:

Cash at bank and on hand	2,462,642	1,972,205
Bank overdrafts	-	-
<b>Total</b>	<b>2,462,642</b>	<b>1,972,205</b>

#### 9. CASH FLOW INFORMATION

	Consolidated	
	2020	2019
	\$	\$
<b>(a) Reconciliation of profit/(loss) after income tax to net cash used in operating activities</b>		
Net loss for the year	(3,705,235)	(5,277,798)
<b>Non-cash flows in profit/(loss):</b>		
Expenses		
Depreciation and amortisation expense	212,680	80,929
Right of use asset depreciation	224,056	-
Share based payment expense	290,405	1,287,967
<i>Changes in assets and liabilities net of the effects of acquisitions of subsidiaries</i>		
(Increase) in trade and other receivables	(7,892)	(347,850)
(Increase) in contract assets	(323,283)	-
(Increase) in inventory	(802,908)	-
(Increase) other assets	(18,243)	-
Increase in trade and other payables	611,521	199,677
(Decrease)/Increase in provisions	492,401	(450,847)
<b>Net cash used in operating activities</b>	<b>(3,026,498)</b>	<b>(4,507,922)</b>

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 9. CASH FLOW INFORMATION (continued)

##### (b) Reconciliation of cash and non-cash movements in borrowings from financing activities

Year ended 30 June 2020	Opening Balance	Cash flows	Non-cash Changes	Closing Balance
Borrowings and Lease liabilities (i)	1,324,667	287,666	(54,688)	1,557,645
	<b>1,324,667</b>	<b>287,666</b>	<b>(54,688)</b>	<b>1,557,645</b>
Year ended 30 June 2019	Opening Balance	Cash flows	Non-cash Changes	Closing Balance
Borrowings (ii) (iii)	1,388,947	320,003	384,283	1,324,667
	<b>1,388,947</b>	<b>320,003</b>	<b>384,283</b>	<b>1,324,666</b>

Non-cash financing activities above includes:

- (i) The Company issued 3,333,333 shares to Adapt Capital Pty Ltd to convert an historical loan to SenSen for consideration of \$500,000
- (ii) Amortisation of the motor vehicle loan under finance leases – Note 13
- (iii) Settlement of directors' loans \$343,284 during the period through issue of shares as approved at the Company's Annual General Meeting on 31 October 2018 – Note 16
- (iv) Initial recognition of lease liabilities under AASB 16 – Note 1 (d)

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 10. TRADE AND OTHER RECEIVABLES

	Note	Consolidated	
		2020	2019
		\$	\$
<b>CURRENT</b>			
Trade Receivables		743,703	735,811
Allowance for expected credit losses <sup>1</sup>		-	-
		<b>743,703</b>	<b>735,811</b>
Other receivables – owing on sale of subsidiaries	(a)	7,982,767	7,938,876
Allowance for expected credit losses	(b)	(7,982,767)	(7,938,876)
		-	-
		<b>743,703</b>	<b>735,811</b>

<sup>1</sup> The expected loss rates are based on the historical payment profiles. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables including consideration of the uncertain economic environment arising from the COVID-19 pandemic.

	Consolidated	
	2020	2019
	\$	\$
(a) Deferred payment owing on sale of subsidiaries - PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP); and a sale of tenements B34 and Papua		
Opening balance	7,938,876	6,836,003
Foreign exchange (loss) gain	43,891	1,102,873
Closing balance	<b>7,982,767</b>	<b>7,938,876</b>
(b) The Board has resolved to make a provision for expected credit losses of the amounts owing to the sale of subsidiaries as payment has not been received in accordance with the Settlement Agreement. Under the Settlement Agreement with Nugroho Suksmanto, the total receivable was IDR 70 billion Rupiah plus interest of IDR 8.75 billion Rupiah (total of 78.75 billion Rupiah or \$6.8 million) which remained unpaid. Although the Company continues to pursue the debt, the Board has resolved to make a provision for full impairment of the amounts owing on the sale of subsidiaries as payment has not been received in accordance with the settlement agreement.		

#### 11. CONTRACT ASSETS

	Consolidated	
	2020	2019
	\$	\$
<b>Contract Assets</b>		
Customer Contracts – In Progress	558,169	234,886
Allowance for expected credit loss	-	-
	<b>558,169</b>	<b>234,886</b>

Contract assets have increased as the group has provided more services ahead of the agreed payment schedules for fixed-price contracts.



## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 12. INVENTORY

	Consolidated 2020 \$	2019 \$
<b>Inventory</b>		
Hardware – at cost	495,054	-
Raw Materials – at cost	307,854	-
	<b>802,908</b>	<b>-</b>

The amount of inventories recognised as an expense during the year ended 30 June 2020 was \$126,356.

#### 13. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles \$	Furniture & Equipment \$	Computer Equipment \$	Total \$
<b>30 June 2019</b>				
Opening net book value	66,659	12,859	125,352	<b>204,870</b>
Additions/disposals	37,880	1,509	310,875	<b>350,264</b>
Depreciation and amortization	(10,793)	(1,355)	(68,781)	<b>(80,929)</b>
<b>Balance at 30 June 2019</b>	<b>93,746</b>	<b>13,013</b>	<b>367,446</b>	<b>474,205</b>
<b>At 30 June 2019</b>				
Cost	133,565	46,461	560,781	<b>740,807</b>
Accumulated depreciation	(39,819)	(33,448)	(193,335)	<b>(266,602)</b>
<b>Net book balance</b>	<b>93,746</b>	<b>13,013</b>	<b>367,446</b>	<b>474,205</b>
<b>30 June 2020</b>				
Opening net book value	93,746	13,013	367,446	<b>474,205</b>
Additions/disposals	(60,043)	-	160,039	<b>99,996</b>
Other movements	-	-	(8,610)	<b>(8,610)</b>
Depreciation and amortization	(15,205)	(1,645)	(195,830)	<b>(212,680)</b>
<b>Balance at 30 June 2020</b>	<b>18,498</b>	<b>11,368</b>	<b>323,045</b>	<b>352,911</b>
<b>At 30 June 2020</b>				
Cost	37,880	46,460	719,727	<b>804,067</b>
Accumulated depreciation	(19,382)	(35,092)	(396,682)	<b>(451,156)</b>
<b>Net book balance</b>	<b>18,498</b>	<b>11,368</b>	<b>323,045</b>	<b>352,911</b>

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 14. TRADE AND OTHER PAYABLES

	Consolidated	
	2020	2019
	\$	\$
<b>Current</b>		
Trade payables	1,094,691	1,463,987
Other liabilities	119,935	-
Employee benefits	321,868	42,429
Contract liabilities*	1,399,926	281,837
	<b>2,936,420</b>	<b>1,788,253</b>
<b>Non-Current</b>		
Employee benefits	78,680	-
	<b>78,680</b>	<b>-</b>

\* Of the opening balance of \$281,837, \$118,000 has been recognised as revenue in the 2020 financial year. The increase in the balance to 30 June 2020 reflects an expanded operating footprint and represents income from customers that does not yet satisfy the principles of AASB 15 that enable it to be recognised as revenue.

#### 15. BORROWINGS

	Consolidated	
	2020	2019
	\$	\$
(a) Loans from related parties – unsecured	400,101	820,000
(b) Bank and other Loans	912,666	450,000
(c) Car Loan	-	54,667
<b>Total Current Borrowings</b>	<b>1,312,767</b>	<b>1,324,667</b>

- a) A loan facility of \$500,000 was agreed with Subhash Challa and related parties in June 2019. \$400,101 of this facility was drawn down as at 30 June 2020.

A shareholder, Adapt Capital Pty Ltd extended a loan to the Company with no interest payable. On 12 December 2019, the Company issued 3,333,333 shares to Adapt Capital Pty Ltd to convert this historical loan to SenSen for consideration of \$500,000. The fair value of the shares issued is \$366,667, thus, this resulted in a gain of \$133,333 recognised as other income in the consolidated statement of profit or loss and other comprehensive income.

- b) Includes a bank debt with Commonwealth Bank for \$450,000 secured by an account set-off arrangement with a matching term deposit and a first ranking charge over present and after acquired property. Variable interest of 5.45% is charged and the loan term expires on 13 December 2020.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 15. BORROWINGS (CONTINUED)

A short-term working capital loan of \$440,000 was agreed with Rocking Horse Nominees Pty Ltd in April 2020. This loan is expected to be paid back in full through a Research and Development grant via the Company's tax return for 30 June 2020.

- c) The Company has a motor vehicle loan which has been reclassified to lease liabilities upon the adoption of AASB 16 on 1 July 2019. Refer to Note 1 for details.

#### 16. ISSUED CAPITAL

	Note	Consolidated	
		2020	2019
		\$	\$
Ordinary shares	(a)	33,159,693	29,463,614
<b>(a) Share capital movement during the period</b>			
		Consolidated	
		2020	2019
		No.	No.
		\$	\$
Balance at beginning of the reporting period		418,554,418	28,731,865
Shares issued during the year (i)		25,348,335	-
Share Issue Costs		-	731,749
Historical Loan Conversion to Equity (ii)		3,333,333	-
<b>Balance at end of period</b>		<b>447,236,086</b>	<b>29,463,614</b>

- (i) SenSen issued 3,153,235 shares to directors and staff members as part of the company's Long-Term Incentive scheme on 8 August 2019.

Furthermore, under the private placement agreement with Angel Japan Co., Ltd., an additional 22,195,100 shares were issued, equal to approximately 4.99% of the total Post-placement issued shares of SenSen for nominal consideration of \$3,329,265. At or about the same time SenSen also entered into a distribution agreement with the same counterparty (this distribution agreement was terminated on 30 June 2020). SenSen has accounted for these two contracts separately on the basis that they did not meet the criteria for combining contracts specified in AASB 15 *Revenue from Contracts with Customers*.

There were \$147 of shares issued in SenSen Networks Inc. during the year.

On 12 December 2019, SenSen issued 3,333,333 shares to Adapt Capital Pty Ltd (formerly Speedshield Holdings Pty Ltd) to convert a historical loan to SenSen at a consideration of \$500,000. The fair value of the shares issued is \$366,667, thus, this resulted in a gain of \$133,333.

#### (b) Capital Management

Management controls the capital of the group in order to provide capital growth to shareholders and ensure the group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 17. RESERVES

	Consolidated	
	2020	2019
	\$	\$
<b>(a) Other Reserves</b>		
Share-based payment reserve	3,597,471	3,307,066
Foreign currency translation reserve	(115,751)	(96,437)
	<b>3,481,720</b>	<b>3,210,629</b>
<b>(b) Movements</b>		
<i>Foreign exchange translation reserve</i>		
Balance at beginning of financial year	(96,437)	26,387
Currency translation differences arising during the year	(19,314)	(122,824)
Balance at end of financial year	<b>(115,751)</b>	<b>(96,437)</b>
<i>Share-based payment reserve</i>		
Balance at beginning of financial year	3,307,066	2,019,099
Share-based payment valuation of awards	290,405	1,287,967
Balance at end of financial year	<b>3,597,471</b>	<b>3,307,066</b>

#### (c) Nature and purpose of reserves

##### (i) *Share-based payment reserve*

The share-based payment reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration.

##### (ii) *Foreign exchange translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

#### 18. CONTINGENT LIABILITIES

The Group had no known contingencies at 30 June 2020 and 30 June 2019.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 19. EVENTS AFTER THE REPORTING PERIOD

On 23 July 2020, 3,371,052 ordinary shares were issued to directors, management and staff as part of the Company's Long Term Incentive Plan which was approved by approved by shareholders at the 2017 annual general meeting (AGM).

On 14 September 2020, SenSen was listed on the OTCQB (SNNSF) venture market.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the groups' operations, results or state of affairs, or may do so in future years.

#### 20. RELATED PARTY TRANSACTIONS

##### (a) Shareholder Loan

On 12 December 2019, SenSen issued 3,333,333 shares to Adapt Capital Pty Ltd (formerly Speedshield Holdings Pty Ltd) to convert a historical loan to SenSen at a consideration of \$500,000. No interest was charged on this loan.

A loan facility of \$500,000 was agreed with Subhash Challa and related parties in June 2019. \$400,101 of this facility was drawn down as at 30 June 2020 (2019: \$320,000). The opening balance of this loan was \$320,000, interest of \$18,949 was accrued (and included in other payables) during the year and additional drawdowns of \$80,101 were made.

#### 21. INTEREST IN SUBSIDIARIES

The following are subsidiaries of the group, are controlled entities and have been consolidated at 30 June 2020.

##### (a) Controlled entities consolidated

Name of subsidiary	Country of incorporation	Equity interest*	
		2020	2019
SenSen Networks Group Pty Ltd	Australia	100%	100%
SenSen Networks (Hong Kong) Limited	Hong Kong	100%	100%
PT Orpheus Energy	Indonesia	100%	100%
SenSen Networks Singapore Pte Limited	Singapore	100%	100%
SenSen Video Business Intelligence PVT Ltd	India	100%	100%
Sensen Networks, Inc.	United States	100%	100%

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 22. KEY MANAGEMENT PERSONNEL DISCLOSURES

##### (a) Key Management Personnel compensation

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	884,987	816,000
Post-employment benefits	90,577	89,376
Share-based payments	206,734	639,200
	<u>1,182,298</u>	<u>1,544,576</u>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 18 to 26.

##### (b) Equity instrument disclosures relating to Key Management Personnel compensation

Details of Key Management Personnel option and share holdings are disclosed in the Remuneration Report.

#### 23. SHARE BASED PAYMENTS

The following ordinary shares and options over ordinary shares were issued in respect of the reporting year as compensation to key management personnel and other staff during the years ended 30 June 2019 and 30 June 2020.

##### a) Long Term Incentive Plan

The establishment of the SenSen Long Term Incentive Plan ("the Plan") was approved by shareholders at the 2017 annual general meeting (AGM) and is detailed on the Company's website. The Plan is designed to provide long-term incentives for employees including directors to deliver long-term shareholder returns.

Under the Plan, participants may be granted shares and options for nil consideration. Options only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

##### b) Long Term Incentive Shares (LTI shares)

###### 2020

On 8 August 2019, 3,153,235 shares were issued under the Long-Term incentive Plan.

205,714 LTI shares were granted to J Cook on 29 January 2020. There were no performance conditions attached to this grant. The fair value on grant date was \$0.11.

###### 2019

On 27 July 2018, the Company issued 2,435,068 ordinary shares to key management personnel and staff as part of the Long-Term Incentive Plan.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 23. SHARE BASED PAYMENTS (Continued)

##### c) Long Term Incentive (“LTI”) Options

The company issued both LTI Incentive Options, General Options and LTI Performance Options during the year ended 30 June 2018. There were no further issues during the year ended 30 June 2020.

##### LTI Incentive Options and General Options

On 30 November 2017, the Company granted 11,100,000 LTI Incentive Options to Subhash Challa (Executive Chairman and CEO) and David Smith (COO) and 4,500,000 General Options to its broker, BW Equities. These options vested immediately and have an exercise period of 3 years. These options were granted in 3 equal lots with exercise prices of 25 cents, 35 cents and 45 cents.

Share options outstanding at the end of the year follows:

#### 2020

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other (ii)	Balance at the end of the year
30/11/2017	04/12/2020	\$0.25	5,200,000	-	-	-	5,200,000
30/11/2017	04/12/2020	\$0.35	5,200,000	-	-	-	5,200,000
30/11/2017	04/12/2020	\$0.45	5,200,000	-	-	-	5,200,000
20/03/2018	30/09/2021	\$0.155 (i)	15,854,256	-	-	-	15,854,256
			31,454,256	-	-	-	31,454,256

#### 2019

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other (ii)	Balance at the end of the year
30/11/2017	04/12/2020	\$0.25	5,200,000	-	-	-	5,200,000
30/11/2017	04/12/2020	\$0.35	5,200,000	-	-	-	5,200,000
30/11/2017	04/12/2020	\$0.45	5,200,000	-	-	-	5,200,000
20/03/2018	30/09/2021	\$0.155 (i)	15,854,256	-	-	-	15,854,256
20/03/2018	30/09/2022	\$0.155 (i)	16,714,583	-	-	(16,714,583)	-
			48,168,839	-	-	(16,714,583)	31,454,256

(i) Exercise price is based on estimated 5-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018.

(ii) Adjustment to account for options not vested at 30 June 2018 and 30 June 2019 due to the performance conditions not satisfied.

There were no LTI options granted during the year ended 30 June 2020. There have been no options granted, exercised, expired or forfeited during the year-ended 30 June 2020.

The weighted average remaining contractual life of options outstanding at the end of the 2020 financial year is approximately 0.8 years (2019: 2.42 years). The weighted average exercise price was \$0.25.

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was \$290,405 (2019: \$1,287,967).

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 24. PARENT ENTITY INFORMATION

Parent entity information required to be disclosed in accordance with the *Corporations Act 2001*. The legal parent entity of the group is SenSen Networks Limited, and the results shown below are for the 12 months ended 30 June 2020 and 2019:

##### (a) Summary financial information

	Parent entity	
	2020	2019
	\$	\$
<b>Statement of profit or loss and other comprehensive income</b>		
Loss for the year	(60)	(21,222,406)
Other comprehensive income	-	-
Total comprehensive loss for the year	(60)	(21,222,406)
<b>Statement of financial position of the parent entity at year end</b>		
Current assets	4,072	5,312
Non-current assets	-	-
<b>Total assets</b>	<b>4,072</b>	<b>5,312</b>
Current liabilities	-	-
Non-current liabilities	939,248	940,428
<b>Total liabilities</b>	<b>939,248</b>	<b>940,428</b>
<b>Net assets</b>	<b>(935,176)</b>	<b>(935,116)</b>
Issued capital	40,322,041	40,322,041
Accumulated losses	(41,257,217)	(41,257,157)
<b>Total equity</b>	<b>(935,176)</b>	<b>(935,116)</b>

During 2019, the Group assessed the recoverability of its historic intercompany loan balances and agreed to make a full provision against these amounts in the Parent Entity as they are unlikely to be repaid. However, these are inter-company balances only and as such the financial impact on the Group is \$nil. The loss in the parent entity shown above is fully eliminated in the consolidated statement of profit or loss and other comprehensive income.



## Notes to the Consolidated Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

---

### 24. PARENT ENTITY INFORMATION (continued)

**(b) Guarantees entered into by the parent entity**

The parent entity has not entered into any guarantees at the 30 June 2020 and 30 June 2019.

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2020 and 30 June 2019.

**(d) Contractual commitments for the acquisition of property, plant or equipment**

As at the 30 June 2020, the parent entity has made no contractual commitments for the acquisition of plant or equipment.

**(e) Determining the parent entity financial information**

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for the investments in subsidiaries which are accounted for at cost in the financial statements of SenSen Networks Limited.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	Consolidated	
	2020	2019
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,462,642	1,972,205
Trade and other receivables	743,703	735,811
Contract assets	558,169	234,886
	<b>3,764,514</b>	<b>2,942,902</b>
<b>Financial liabilities</b>		
Trade and other payables	1,094,691	1,463,987
Contract liabilities	1,399,926	281,837
Short term loans	1,312,767	1,324,667
	<b>3,807,384</b>	<b>3,070,491</b>

The Company monitors its exposure to key financial risks, principally market risk (including currency risk), interest risk, credit risk and liquidity risk, with the objective of achieving the company's financial targets whilst protecting future financial security.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting. Credit risks are managed by credit limits and retention of the title over the investments sold.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of interest rate exposure, credit allowances, and future cash flow forecast projections.

##### (a) Market Risk

###### *Foreign exchange risk*

Exchange Risk arises whereby currency exchange rates may affect the assets and liabilities and the consolidation of companies within the group.

The company reports in Australian Dollars; the operating currency for Indian subsidiary is the INR, and the operating currency for both of the US and the Singapore subsidiaries is US\$.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### (b) Interest Risk

The Group's borrowings during 2020 from Speedshield Holdings were not liable to interest.

The company has a business loan facility of \$450,000 and an undrawn overdraft facility of \$225,000 with the Commonwealth Bank of Australia. Interest is charged at a variable rate of 4.95% on the business loan.

##### *Group sensitivity*

At 30 June 2020 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the result would not be material at \$6,564. (2019: \$2,250)

Based on movements in interest rates the company regularly reviews the deployment of funds and the exposure to interest rate risk in conjunction with currency and exchange rate risk in order to manage these risks in line with corporate objectives.

##### (c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There is no collateral held as security at 30 June 2020. Credit risk is reviewed regularly by the Board.

The Group has a material credit risk exposure related to a deferred payment owing on sale of subsidiaries - PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP) and a sale of tenements B34 and Papua as detailed in Note 10. However, the Board has resolved to make a provision for expected credit losses of the amounts owing to the sale of subsidiaries as payment has not been received in accordance with the Settlement Agreement. Under the Settlement Agreement with Nugroho Suksmanto, the total receivable was IDR 70 billion Rupiah plus interest of IDR 8.75 billion Rupiah (total of 78.75 billion Rupiah or \$6.8 million) which remained unpaid. Although the Company continues to pursue the debt, the Board has resolved to make a provision for full impairment of the amounts owing on the sale of subsidiaries as payment has not been received in accordance with the settlement agreement.

The Group does not have any other material credit risk exposure to any single counterparty, except for its holdings of cash which is held with the Commonwealth Bank, National Australia Bank and Bank of America.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

##### *Approach to determining expected credit losses*

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to the Group's right to consideration for performance complete to date before payment is due and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical payment profiles. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables including consideration of the uncertain economic environment arising from the COVID-19 pandemic.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### (c) Credit Risk (continued)

For the year ended 30 June 2020, the Group has considered whether the expected loss rates are required to be increased due to the uncertain economic environment arising from the COVID-19 pandemic.

The Group has identified the GDP, country specific unemployment rates and the outlook for customer industries as the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### *Trade and other receivables*

The Group limits its exposure to credit risk by only limiting transactions with high credit quality financial institutions principally government bodies and large listed corporate firms.

#### (d) Liquidity Risk

The table below reflects all contractually fixed payoffs and receivables for settlement from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2020. The amounts disclosed are undiscounted cash flows anticipated to eventuate in the next fiscal year.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2020.

	Total	< 6 Mths	6-12 Mths	1-5 Yrs
	\$	\$	\$	\$
<b>2020</b>				
<b>Financial assets</b>				
Cash and cash deposits	2,462,642	2,462,642	-	-
Trade and other receivables	743,703	743,703	-	-
Contract assets	558,169	558,169	-	-
	<b>3,764,514</b>	<b>3,764,514</b>	-	-
<b>Financial liabilities</b>				
Trade and other payables	1,094,691	1,094,691	-	-
Contract liabilities	1,399,926	1,399,926	-	-
Short term loans	1,339,842	1,339,842	-	-
Lease liabilities	468,274	142,661	114,751	210,862
	<b>4,302,733</b>	<b>3,977,120</b>	<b>114,751</b>	<b>210,862</b>
<b>Net maturity</b>	<b>(538,219)</b>	<b>(212,606)</b>	<b>(114,751)</b>	<b>(210,862)</b>

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### (d) Liquidity Risk (continued)

2019	Total \$	< 6 Mths \$	6-12 Mths \$	1-5 Yrs \$
<b>Financial assets</b>				
Cash and cash deposits	1,972,205	1,972,205	-	-
Trade and other receivables	735,811	735,811	-	-
Contract assets	234,886	234,886	-	-
	<b>2,942,902</b>	<b>2,942,902</b>	-	-
<b>Financial liabilities</b>				
Trade and other payables	1,463,987	1,463,987	-	-
Contract liabilities	281,837	281,837	-	-
Short term loans	1,324,667	320,000	-	1,004,667
	<b>3,070,491</b>	<b>2,065,824</b>	-	<b>1,004,667</b>
<b>Net maturity</b>	<b>(127,589)</b>	<b>877,078</b>	-	<b>(1,004,667)</b>

The contractual maturities of the company's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values in the table reflects a balanced view of cash inflows and outflows.

##### (e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2020

#### 26. COMMITMENTS

##### Operating Lease Commitments

Non-cancellable operating lease contracted for but not recognised in the financial statements

##### *Payable – minimum lease payments*

- Not later than 12 months
- Between 1 and 5 years
- Later than 5 years

	Consolidated	
	2020	2019
	\$	\$
	-	249,265
	-	404,595
	-	-
	-	<b>653,860</b>

## Directors' Declaration

---

In accordance with a resolution of the Directors of SenSen Networks Limited, the Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 43-86.
  - a) comply with Australian Accounting Standards and interpretations, and *Corporations Act 2001* and *Corporations Regulations 2001*, which confirms compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; and
  - b) give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
2. in the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Subhash Challa  
Chairman  
30 September 2020

## INDEPENDENT AUDITOR'S REPORT

To the members of SenSen Networks Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of SenSen Networks Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 report, including a summary of significant accounting policies 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 2020 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 *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 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.

#### Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

For personal use only



## 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.

### Revenue Recognition under AASB 15 *Revenue from Contracts with Customers*

Key audit matter	How the matter was addressed in our audit
<p>The Group's revenue recognition disclosures are included in Note 1(c), detailing the accounting policies applied under AASB 15 Revenue from Contracts with Customers.</p> <p>The assessment of revenue recognition was significant to our audit because revenue is a material balance in the financial statements for the year ended 30 June 2020, and there is a level of complexity to the contracts regarding revenue recognised either over time or at a point in time.</p> <p>The recognition of revenue largely depends on the terms of the underlying contracts with customers. Contracts can be complex and bespoke. In particular, significant judgment and estimation are required by the Group in determining the amount of revenue recognised for licences and other multiple obligation customer contracts, and the timing of when this revenue is recognised.</p> <p>The assessment of revenue recognition and measurement required significant auditor effort.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing the Group's revenue recognition policy's for compliance with Australian Accounting Standards</li> <li>• Developing understanding of the various revenue streams and the Group's revenue recognition policies for each stream through discussions with management</li> <li>• Reviewing a sample of key customer contracts for each revenue stream with multiple obligations to determine whether revenue was recognised in accordance with the Group's accounting policies and the requirements of the Australian Accounting Standards</li> <li>• Testing a sample of revenue transactions and reviewing the terms and conditions of the executed contracts and other supporting evidence to ensure that the accounting treatment had been correctly applied, including evaluating whether performance obligations had been met and revenue had been recognised in the correct period</li> <li>• Assessing whether a distribution agreement entered into during the period is required to be accounted for separately or combined with a placement contract that was entered into with the same counterparty and at or around the same time with reference to the requirements of AASB15 para 17</li> <li>• Performing a detailed analysis of revenue and the timing of its recognition based on expectations derived from our knowledge of the Group's products and the market it operates in.</li> </ul>

For personal use only

## 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 2020, 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 the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 26 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of SenSen Networks Limited, for the year ended 30 June 2020, 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.

**BDO Audit Pty Ltd**



**T R Mann**  
Director

Brisbane, 30 September 2020

## ASX Additional Information (Unaudited)

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 21 September 2020.

### (a) Distribution of equity securities

There are 450,607,138 fully paid ordinary shares held by 1,753 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The numbers of shareholders, by size of holding, in each class are:

Holdings Ranges	Holders	Total Units	%
1-1,000	162	73,418	0.02
1,001-5,000	563	1,635,630	0.36
5,001-10,000	267	2,120,164	0.47
10,001-100,000	551	19,698,982	4.37
100,001 over	210	427,078,279	94.78
<b>Totals</b>	<b>1,753</b>	<b>450,607,138</b>	<b>100</b>
Holding less than a marketable parcel	755	1,869,737	

### (b) Substantial shareholders

Name	Number	Percentage
Smart Equity EIS Pty Ltd	141,902,910	31.49%
Mr Subhash Challa	80,217,828	17.80%
Zenon Pasieczny/Saphet Capital Management Pty Ltd	46,876,258	10.40%
Speedshield Holdings Pty Ltd	28,999,266	6.44%
Sandhurst Trustees Ltd <JMFG Consol a/c>	22,412,896	4.97%

## ASX Additional Information (Unaudited)

### (c) Twenty largest holders of quoted equity securities

	Ordinary shareholders	Fully Paid	
		Number	Percentage
1.	SMARTEQUITY EIS PTY LTD	141,902,910	31.49
2.	SPEEDSHIELD HOLDINGS PTY LTD	28,999,266	6.44
3.	MR SUBHASH CHALLA	28,778,002	6.39
4.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	22,412,896	4.97
5.	SAPHET CAPITAL MANAGEMENT PTY LTD	22,262,395	4.94
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,333,991	4.07
7.	MR FRANCIS ALAN ALEXANDER WHITAKER	10,648,750	2.36
8.	MR WILLIAM MORAN	9,232,976	2.05
9.	CITICORP NOMINEES PTY LIMITED	8,050,679	1.76
10.	MR SATISH GUPTA	6,874,701	1.53
11.	GASMERE PTY LTD	6,021,000	1.34
12.	MRS LAXMI CHALLA	6,006,861	1.33
13.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,882,437	1.31
14.	MR DAVID EDWARD SMITH	5,050,654	1.12
15.	MR VENKATESWARA PRASAD GUNUPATI	4,822,335	1.07
16.	MR WAYNE MITCHELL	3,739,207	0.83
17.	ADAPT CAPITAL PTY LTD	3,333,333	0.74
18.	SISU INTERNATIONAL PTY LTD	3,291,168	0.73
19.	TAT CORPORATE	2,804,301	0.62
20.	TR NOMINEES PTY LTD	2,710,000	0.60
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	<u>341,157,862</u>	<u>75.71</u>
	Total Remaining Holders Balance	109,449,276	24.29

### UNQUOTED SECURITIES

There are no unquoted securities at 30 June 2020.