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Form 388

Corporations Act 2001

294, 295, 298-300, 307, 308, 319, 321, 322

Corporations Regulations

1.0.08

Copy of financial statements and reports

Company details

Company name

KINETIC IT PTY LTD

ACN

072 941 943

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date

30-06-2020

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

223966096

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

105758804

How many employees are employed by the large proprietary company and the entities that it controls?

1497

How many members does the large proprietary company have?

6

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

No

Details of current auditor or auditors

Current auditor

Date of appointment **24-11-2016**

Name of auditor **DELOITTE TOUCHE TOHMATSU**

Address **'TOWER 2 BROOKFIELD PLACE'
123 ST GEORGES TERRACE
PERTH WA 6000**

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been submitted by

Name	Terrence Peter NORTH
Date	30-10-2020

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2020 FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Kinetic IT PTY LTD | ABN 97 072 941 943

kinetic IT

CONTENTS

DIRECTORS & OFFICERS

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

David John McCleery

Non-Executive Director and Chairperson
Appointed Director December 1999

Kinetic IT's co-founder and Chairman, David McCleery, has over 40 years' experience in the technology industry. Prior to forming Kinetic IT with brother's Phillip and Terry North in 1997, David consulted to some of Australia's largest organisations to deliver major infrastructure and ICT projects. While serving on the Board of Kinetic IT, David successfully established and chaired energy trading company, DMT Energy, from 2007 to 2011. He continues to serve on the Board for a number of companies and not-for profit organisations including HiSeis Pty Ltd and the Cobalt Foundation. David holds a Graduate Diploma in Business Computing and a Graduate Diploma in Applied Physics (Geophysics). He is a graduate of the Australian Institute of Company Directors.

Terrence Peter North

Non-Executive Director
Appointed Director February 1996

As Kinetic IT's CEO from 2007 to 2016, Terry led the company through significant growth, including expansion into the Northern Territory, Victoria and New South Wales markets. Following his departure as Kinetic IT's CEO in January 2016, co-founder Terrence (Terry) North has continued to guide the company as a Non-Executive Director. Prior to forming Kinetic IT with Phil North and David McCleery, Terry was the General Manager of a large regional transport company and was responsible for driving the company's expansion into private and government-funded transport services. Terry is a member of the CEO Institute of Australia and the Australian Institute of Company Directors.

Phillip North

Non-Executive Director
From August 1997 to November 2019

As one of Kinetic IT's co-founders, Phillip North has been a cornerstone in the formation and continued growth of the company. From the early formation of our company and playing a prominent role in securing our first major contracts, Phil remained instrumental to our success and evolution in the time he served as both Executive and Non-Executive Director. After more than two decades of service, Phil made the decision to step down from Kinetic IT's Board effective November 2019. Phil's support and contributions to Kinetic IT have made us the business we are today, and we wish him the very best for his future endeavours.

Michele Kathleen Teague

Non-Executive Director
Appointed Director January 2020

As Kinetic IT's newest Board member, Michele Teague brings a wealth of experience and expertise to the organisation. With her extensive background in Marketing and significant experience with both private and public companies in Australia and New Zealand, Kinetic IT welcomes Michele's fresh perspective and insight. Through her directorship experience with The Reject Shop and New Zealand Rugby League, and past executive roles including Kmart and Metcash, Michele has a demonstrated capability to navigate large organisations through change and disruption. Michele is a graduate of the Australian Institute of Company Directors.

DIRECTORS & OFFICERS

Michael Eric North

Executive Director since January 2016 and Chief Executive Officer

Chief Executive Officer, Michael North, has been instrumental in guiding Kinetic IT to become one of Australia's leading ICT managed services providers. Joining Kinetic IT's Service Delivery and Operations team in 1999, Michael matured his technical and commercial experience to progress into senior and executive positions. More recently, he's played an integral role in driving of Kinetic IT's strategic direction as Chief Strategy Officer and Chief Operating Officer before his appointment as CEO. Today, Michael is focused on leading Kinetic IT through continued growth as the company evolves its services and expands into new regions. Michael is a graduate of the Australian Institute of Company Directors.

Russell Antony Decent

Executive Director since January 2016 and Chief Financial Officer

Kinetic IT's Chief Financial Officer, Russell Decent, was appointed as an Executive Director in January 2016. Russell has a wealth of experience across all aspects of financial, regulatory and commercial management. As CFO, Russell is responsible for Kinetic IT's Australia-wide financial operations, managing the company's corporate finance, business systems and intelligence, financial services and business technology functions. Russell plays a fundamental role in supporting Kinetic IT's strategy through strategic, financial and commercial leadership. Russell is a graduate of the Australian Institute of Company Directors and a member of the Institute of Chartered Accountants Australia and New Zealand.

Richard John Hoskyn Williams

Company Secretary since January 2016 and Group Executive

Richard Williams joined Kinetic IT in 2015 and currently serves in the role of Company Secretary and Group Executive responsible for overseeing the Company's corporate performance and compliance activities. Richard has extensive international experience in senior finance roles within the ICT industry. Richard holds a Bachelor of Commerce and Postgraduate Diploma in Accounting. He is a graduate of the Australian Institute of Company Directors, a member of the Institute of Chartered Accountants Australia and New Zealand, and member of the CFA Institute.

1.

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Kinetic IT Pty Ltd ("the Company") for the financial year ended 30 June 2020.

OPERATING AND FINANCIAL REVIEW

Kinetic IT performed admirably across the 2020 financial year and delivered against our Business Plan and corporate performance metrics despite some tough operating conditions and unexpected events. As a key period for our growth ambition, we onboarded several new customers, built out new service lines, and achieved a very high rate of retention and renewal across our existing service arrangements.

Following our record success in FY19, and with a driving focus on our strategic priorities, we invested heavily in growing our business, driving innovation, embedding our regional operating model and enhancing the experience of our crew. While the scale of these targeted investments impacted our overall profitability for the year, they also delivered new opportunities and innovation, enabled our resilience through the impacts of the COVID-19 pandemic, and resulted in a record annual revenue of $223,966,096, a 10.2 per cent increase on the previous year.

This latest result expands on our growth over the last decade where we added more than 1000 roles to our company, achieved a 350% increase in annual revenue and expanded into three new regions to become the proudly national company we are today.

We have taken significant steps to adapt our business to the changing market conditions, however we understand the broad and long-term economic disruption caused by a global pandemic is likely to continue to pose risks and impact our customers, their businesses, and therefore our business in the year ahead. Our long-term approach to business resilience and sustainability, including multi-year customer contracts, broad industry coverage, and regionalised delivery approach are all seen as beneficial as Australia works its way towards the 'new normal' in the years to come.

INVESTING IN OUR FUTURE

After moving into full operations with our first federal government customer and firmly establishing our presence in the ACT, we pivoted our focus to growth in other regions and invested $2.4 million into new customer acquisition activities, a doubling of our FY19 investment. This resulted in the onboarding of two new major customers in Western Australia and the creation of approximately 140 new operational roles. The benefit of these new customer accounts will be realised in the coming financial year, with net new business generating an additional $25 million in revenue in FY21 and going some way to counteract a projected cooling in discretionary projects and market-driven service reductions in some customer sectors.

To support our expansion, we continued our work to evolve our company with the implementation of our new operating model. We actioned several important changes to our organisational structure during the financial year, implementing additional leadership roles and building out regional and localised capabilities in support of our customers and crew. This structural alignment proved instrumental in our response to the pandemic, with the right roles in the right places to maintain robust levels of service delivery to our customers with limited impact from the imposed interstate travel restrictions.

We increased our investment in innovation and the expansion of service offerings, such as our reinvention of front-line customer service experiences through cloud, AI and virtual agent technologies, and further expansion of our Cyber Security offerings. Further expansion of Kinetic IT's service portfolio is planned for the coming period as we leverage new partnerships and emerging technologies to mature our service lines within Cyber Security, Digital Transformation, SIAM and Automation Platforms and position us to deliver increased value and customer satisfaction.

STRONG PERFORMANCE IN EXTRAORDINARY TIMES

Kinetic IT's sound management limited the disruption of the COVID-19 pandemic, with early, decisive actions to mitigate key risks around health and safety, service delivery, business continuity, and increased cyber-security threats. We were able to respond quickly and adapt to dynamic situations across our regional footprint, taking the appropriate actions to preserve the financial stability of our business. This included managing our working capital, achieving savings in non-staff costs, implementing a temporary pause on remuneration reviews and temporary pay reductions for top management, and a targeted leave management approach.

In the early stages of our COVID response, our focus on bolstering service delivery saw a sharp uptick in discrete activity and our role rapidly shifted to helping customers 'keep the lights on' in increasingly innovative ways. This included the implementation of remote working solutions, uplift of each customers' digital service delivery capabilities, reinforcement of the response efforts of our supported government agencies, as well as implementing a range of other digital transformations to streamline various customers' corporate services. Kinetic IT's customer-centric business model and adaptive delivery approach enabled many of our customers to effectively mitigate many COVID-19 risks and continue to operate their organisations in a 'mostly-normal manner' across the core of the pandemic impact periods.

As a member of Australia's ICT industry with many 'essential service' provider customers, we consider ourselves in a fortunate position to withstand the scale of the economic downturn facing Australia. The rapid shift towards remote working, underpinned by technology solutions, has made our services an increasingly important business enabler for many of our customers. Our diversity of customer accounts that enjoy long-term engagements provides a strong foundation to navigate the shifting economic landscape and continues our positive outlook of growth.

BRINGING OUT THE BEST IN AN AUSTRALIAN WORKFORCE

Kinetic IT is a leader in onshore, local delivery and we continue to proudly invest in our Australian workforce. We understand the important role we play in enriching the lives of our crew, building capability within our industry and positively contributing to the communities where we work.

Guided by our intent to bring out the best in people and technology, we continued our investment in enhancing our diverse, inclusive and innovative culture, and supporting our crew's collaborative learning and growth. We've built on our strong foundation through FY20 with ongoing investment in 'KIT Academy', our digitally-enabled collaborative learning capability, as well as our great performance against Gender Equality indicators, and ongoing enhancement of our People Leadership and crew benefits programs. This includes the implementation of a Paid Parental Leave program for all employees, providing up to 12 weeks leave at full salary on the birth or adoption of a child.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

It is the belief of the directors that there were no significant changes in the Company's state of affairs that occurred during the financial year.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the provision of services pertaining to Managed Enterprise Technology, Cyber and Information Security, Business and Digital Transformation and Advisory and Consulting.

No significant change in the nature of these activities occurred during the year.

EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the directors of Kinetic IT, in the interval between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

LIKELY DEVELOPMENTS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATIONS

Kinetic IT's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DIVIDENDS

Dividends of $296,667 per each D class share on issue were declared and paid in respect of the year ended 30 June 2020 for a total of $8,900,010 (2019: $24,420,000). The dividends paid were fully franked.

SHARE OPTIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Kinetic IT Pty Ltd has agreed to indemnify all directors and executive officers of the Company, against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and executive officers of Kinetic IT Pty Ltd, except where the liability has arisen from a wilful breach of duty in relation to the Company. The agreement stipulates that Kinetic IT Pty Ltd will meet the full amount of any such liabilities, including costs and expenses. The Company has paid a total of $33,496 in insurance premiums, relating to Director and Officer insurance, during the financial period. No indemnities have been given or insurance premiums paid during or since the end of the year for a person who is or has been an auditor of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C is attached.

Signed in accordance with a resolution of the Board of Directors, made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors:

Director .....

David John McCleery

Dated this 30 October 2020

2.
STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020 $	2019 $
CURRENT ASSETS			
Cash and bank balances	12	41,712,120	34,015,397
Trade and other receivables	13	22,297,333	22,023,462
Contract assets	6	2,556,024	3,966,043
Other current assets	14	3,796,681	2,858,038
TOTAL CURRENT ASSETS		**70,362,158**	**62,862,940**
NON-CURRENT ASSETS			
Intangible assets	15	8,985,354	9,489,209
Property, plant and equipment	16	4,129,312	4,977,497
Right-of-use assets	17	14,092,642	-
Deferred tax assets	19	8,189,338	7,180,674
TOTAL NON-CURRENT ASSETS		**35,396,646**	**21,647,380**
TOTAL ASSETS		**105,758,804**	**84,510,320**
CURRENT LIABILITIES			
Trade and other payables	18	14,169,484	15,080,520
Contract liabilities	6	6,073,829	4,532,518
Current tax liability	19	308,109	833,863
Lease liabilities	21	3,946,106	-
Provisions	20	19,358,193	15,963,133
TOTAL CURRENT LIABILITIES		**43,855,721**	**36,410,034**
NON-CURRENT LIABILITIES			
Deferred tax liability	19	2,768,433	2,553,291
Lease liabilities	21	10,995,706	-
Provisions	20	2,484,878	3,439,743
TOTAL NON-CURRENT LIABILITIES		**16,249,017**	**5,993,034**
TOTAL LIABILITIES		**60,104,738**	**42,403,068**
NET ASSETS		**45,654,066**	**42,107,252**
EQUITY			
Issued capital	22	30,030	30,030
Retained earnings		45,624,036	42,077,222
TOTAL EQUITY		**45,654,066**	**42,107,252**

The accompanying notes set out on pages 17-39 form part of these financial statements.

3.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 $	2019 $
CONTINUING OPERATIONS			
Revenue from contracts with customers	6	223,966,096	203,215,516
EXPENSES			
Employee benefits expense	7	(153,416,625)	(126,177,271)
Partner and subcontractor services		(25,279,015)	(30,089,396)
IT and Communication expenses		(7,392,068)	(7,816,491)
Travel expense		(1,816,633)	(1,561,108)
Occupancy expense		(1,565,663)	(4,206,347)
Marketing expense		(543,115)	(423,551)
Professional fees		(520,961)	(715,936)
Depreciation and amortisation expense	7	(12,786,924)	(6,869,232)
Other expenses		(2,035,137)	(2,060,546)
Finance costs	8	(820,591)	(421,583)
Finance income	8	67,300	206,950
PROFIT BEFORE TAX		**17,856,664**	**23,081,005**
Income tax expense	9	(5,409,840)	(7,097,520)
PROFIT FOR THE YEAR		**12,446,824**	**15,983,485**

OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Other		-	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OF LOSS:			
Other		-	-
Other comprehensive income for the year, net of income tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,446,824**	**15,983,485**

The accompanying notes set out on pages 17-39 form part of these financial statements.

4.
STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	ISSUED CAPITAL		RETAINED EARNINGS	TOTAL
	ORDINARY	D CLASS		
	$	$	$	$
BALANCE AT 1 JULY 2018	**30,000**	**30**	**50,513,737**	**50,543,767**
Profit for the year	-	-	15,983,485	15,983,485
Other comprehensive income for the year, net of income tax	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**15,983,485**	**15,983,485**
Payment of dividends	-	-	(24,420,000)	(24,420,000)
BALANCE AT 30 JUNE 2019	**30,000**	**30**	**42,077,222**	**42,107,252**
Adjustment on initial application of AASB 16	-	-	-	-
BALANCE AT 1 JULY 2019	**30,000**	**30**	**42,077,222**	**42,107,252**
Profit for the year	-	-	12,446,824	12,446,824
Other comprehensive income for the year, net of income tax	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**12,446,824**	**12,446,824**
Payment of dividends	-	-	(8,900,010)	(8,900,010)
BALANCE AT 30 JUNE 2020	**30,000**	**30**	**45,624,036**	**45,654,066**

The above amounts are stated net of tax.

The accompanying notes set out on pages 17-39 form part of these financial statements.

5.
STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		249,339,138	230,770,045
Payment to suppliers and employees		(213,618,837)	(191,213,509)
Interest received		63,865	284,856
Interest and other finance costs paid		(804,473)	(396,756)
Income tax paid		(6,797,498)	(7,685,552)
Income tax refund received		68,382	99,289
Net cash generated by operating activities	**25**	**28,250,577**	**31,858,373**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,149,204)	(1,459,239)
Payments for intangible assets		(6,456,551)	(7,611,205)
Net cash used in investing activities		**(7,605,755)**	**(9,070,444)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from settlement of shareholder loans		-	960,000
Repayment of lease liabilities		(4,048,089)	-
Dividends paid		(8,900,010)	(24,420,000)
Net cash used in financing activities		**(12,948,099)**	**(23,460,000)**
Net increase/(decrease) in cash and cash equivalents		7,696,723	(672,071)
Cash and cash equivalents at beginning of year		34,015,397	34,687,468
CASH AND CASH EQUIVALENTS AT END OF YEAR	**12**	**41,712,120**	**34,015,397**

The accompanying notes set out on pages 17-39 form part of these financial statements.

6.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: COMPANY INFORMATION

Kinetic IT Pty Ltd (the "Company") is a company domiciled in Australia. The Company is a for-profit entity. The address of the Company's registered office is Ground Floor, 30 The Esplanade, Perth WA 6000 The principal activities of the Company during the financial year were the provision of services pertaining to Managed Enterprise Technology, Cyber and Information Security, Business and Digital Transformation and Advisory and Consulting.

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

A. Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

AASB 16 Leases

In the current year, the Company has applied AASB 16 that is effective for annual periods that begin on or after 1 July 2019. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described in note 5. The impact of the adoption of AASB 16 on the Company's financial statements is described below. The date of initial application of AASB 16 for the Company is 1 July 2019.

i. Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117.

The Company applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Company has carried out an implementation project. The project has shown that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

In adopting AASB 16, the Company has used the following practical expedients permitted by the standard:

a. accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases except for leases of Buildings and Data Centres' spaces;
b. excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
c. used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

ii. Impact on Lessee Accounting

AASB 16 changes how the Company accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Company:

a. Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
b. Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

A. Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year (continued)

ii. Impact on Lessee Accounting (continued)

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less), except for leases of Buildings and Data Centres' spaces, and leases of low-value assets (such as printers), the Company has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated i.e. it is presented, as previously reported, under AASB 117 and related interpretations. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information. The impact on transition is summarised below:

IMPACT ON OPENING RETAINED PROFITS	1 JULY 2019 $
Right-of-use assets (AASB 16)	16,718,193
Unamortised Lease incentives provision (AASB 117)	546,696
Lease liabilities – current (AASB 16)	(3,830,176)
Lease liabilities – non-current (AASB 16)	(13,434,713)
Retained earnings	-

When measuring lease liabilities, the Company applied incremental borrowing rate of 2.22% at 1 July 2019.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

The Company has adopted the interpretation for the first time in the current year and there was no significant impact on adoption. The interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. An uncertain tax treatment is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

The Interpretation requires the Company to:

a. determine whether uncertain tax positions are assessed separately or as a Company; and
b. assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
   - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
   - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

B. Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

STANDARDS / INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	APPLICABILITY FOR THE YEAR ENDED
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	30 June 2021
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021
AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1 January 2020	30 June 2021
AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	30 June 2021

NOTE 3: BASIS OF PREPARATION

A. Statement of compliance

In the opinion of the directors, the Company is not publicly accountable. These financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. These financial statements comply Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were authorised for issue by the Board of Directors on 30 October 2020.

B. Basis of measurement

The financial statements have been prepared on the historical cost basis.

C. Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

NOTE 4: USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are discussed below;

NOTE 4: USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

A. Impairment of Intangible Assets

The Company assesses impairment of its intangible assets (customer formation costs) at each reporting date by evaluating conditions specific to the Company and the asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

B. Employee Benefits Provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated cashflows to be made in respect of all employees at reporting date. In determining the present value of the liability, estimates of attrition rates, salary and wage increases, inflation and discount rates have all been taken into account.

C. Estimation of useful life of Property, plant and equipment and Intangible assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The useful lives could change significantly as a result of technical progress and innovations or some other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or obsolete assets with no use will be written off.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

B. Financial instruments

Recognition, and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

The Company derecognises financial liabilities only when the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial instruments (continued)

Classification and initial measurement of financial assets

Except for those trade receivables that are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for initial transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. In the periods presented the Company does not have any financial assets categorised as FVTPL or FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which are included within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if

- the assets are not designated as FVTPL
- the assets are held within a business model whose objective is to hold the financial assets and collect its contractual cashflows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Foreign exchange gains and losses

Foreign currency transactions are translated using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from movements in exchange rate at the date of settlement of such transactions are recognised in profit or loss.

Financial liabilities

All financial liabilities are initially measured at fair value adjusted for initial transaction costs (where applicable). After initial recognition, financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Amortised cost is calculated by considering any issue costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial instruments (continued)

Financial liabilities at FVTPL:

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL in accordance with AASB 9. A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, (except financial guarantee contracts or designated hedging instruments)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other expenses' in profit or loss.

C. Property, plant and equipment

i. Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets form part of those assets. All other borrowing costs are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and gains are recognised within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is recognised in the profit or loss on either a diminishing value or straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The depreciation rates for the current and comparative periods are as follows:

- Plant and Equipment 10.00% - 30.00%
- IT Equipment 7.50% - 50.00%
- Motor Vehicles 16.67%
- Software 20.00% - 50.00%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Leases

The Company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Leases (continued)

i. As a lessee (continued)

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

ii. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Policy applicable before 1 July 2019

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases.

E. Impairment

i. Financial assets

The Company recognises a loss allowance for expected credit losses (ECLs) on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECLs for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the customer's circumstances and current and forecast economic conditions at the reporting date.

For all other financial instruments, the Company recognises lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is readily available.

The measurement of expected credit losses is a function of the probability of default and the expected exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. Exposure at default for financial assets is represented by the asset's gross carrying amount at the reporting date.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Impairment (continued)

i. Financial assets (continued)

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company will measure the loss allowance at equal to 12-month ECL.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for financial assets that are measured at FVTOCI, where the loss allowance is recognised in other comprehensive income and accumulated in an investment revaluation reserve.

ii. Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

F. Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

iii. Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Employee benefits (continued)

iv. Short-term benefits

Liabilities for employee benefits for wages, salaries, and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

G. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

H. Revenue

i. Revenue from Contracts with Customers

Revenue arises mainly through customer contracts and agreements for the provision of services pertaining to Managed Enterprise Technology, Cyber and Information Security, Business and Digital Transformation and Advisory and Consulting. The sale of goods, predominantly third party software licensing, represents a small component of revenue that are generally contracted through the same customer contract and agreements.

The Company mainly enters into master services agreements involving a range of the Company's services and products for which some services will be engaged through additional contracts such as project agreements, statements of works and consulting agreements. Revenue which represents income arising in the course of the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contracts with customers, when or as the Company transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customers, the control of the promised goods or services may transfer over time or at a point in time.

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

Recognition and Measurement

Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, credits, incentives, performance bonuses, penalties or other similar items, the Company estimates the amount of consideration that it expects to be entitled based on the expected value

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenue (continued)

i. Revenue from Contracts with Customers (continued)

Recognition and Measurement (continued)

or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract, the Company will use the stand-alone selling prices. If a standalone selling price is not directly observable, the Company will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Company determines whether control of the goods or services for each performance obligation is transferred over time or at a point.

Managed Services

Managed services are generally contracted via a master services agreement that has base services scope and pricing that is distinct from discretionary services arrangements facilitated by the same agreement. Revenue from managed services is either in the form of monthly fixed and/or monthly variable fees based on customer service dimensions. Fixed fees are recognised on a straight-line basis for the respective contract period that the fees apply to for each contract, as the amount of work required to perform under these fixed fee arrangements do not vary significantly from month-to-month and therefore the straight-line method provides a faithful depiction of the transfer of goods or services. Consideration received can be variable in nature dependent on the customer service dimensions where the variable consideration is included in the transaction price at the company's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any price uncertainty is resolved. This variable consideration can include service credits, abatements, earn-backs and other penalty and performance regimes.

Consulting, Professional, Project and Other Discretionary Services

Discretionary services are generally contracted via contractual instruments such as agreements, statements of work and service requests for which in many cases are associated with a master services agreement. Revenue from discretionary services for a fixed fee or time and materials is recognised when or as the Company performs the services, as costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the company's performance. The Company also measures its' progress towards complete satisfaction of the performance obligation by assessing the status/progress and comparing actual hours spent to date with the total estimated hours required to complete each engagement and/or milestone. If the inputs used to recognise revenue do not contribute to the progress in satisfying the company's performance or are disproportionate to the progress, recognised revenue will be adjusted accordingly.

The combination of hours-to-hours and progress against outcomes provides the most faithful depiction of the transfer of goods and services for each engagement and/or milestone due the Company's ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience with similar engagements and customers. Consideration can include variable elements such as liquidated damages and critical deliverable credits to which the company will only include revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any price uncertainty is resolved.

Transition Services

When entering into a contract to deliver managed services, the contract generally has a discrete transition plan and pricing to transition the services from either an incumbent service provider, the customer themselves or to introduce a new service. These transition services generally have fixed fees based on the completion of milestones along with costs incurred to establish the managed services.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenue (continued)

i. Revenue from Contracts with Customers (continued)

Transition Services (continued)

While the nature of transition services is similar to discretionary services, without the transition services, the customer would not be able to receive the benefits of the managed services. Therefore, the fees and costs associated with each transition (referred to as customer formation costs), being the incremental costs to obtain and costs to fulfil a contract, are deferred and amortised on a straight-line basis over the initial term of the customer contract. Consideration can include variable elements such as liquidated damages and critical deliverable credits to which the company will only include revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any price uncertainty is resolved.

As a Service Platforms & Services

Revenue is derived from providing customers access to the Company's platforms and shared services over time and is recognised in accordance with the terms of contracts provided in various forms of agreements. The AaS platforms and shared services revenue (if any) is recognised over time, being the subscription or relevant contract period, as the customer simultaneously receives and consumes the benefit of accessing the platform and shared services. Access to the Platform components of AaS is not considered distinct from other performance obligations, as access to any platform alone does not allow the customer to obtain substantially all the benefits of the access, and is therefore accounted for as a single performance obligation. Consideration received can be variable in nature, based upon customer usage in excess of contractually agreed units.

The variable consideration is included in the transaction price at the company's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any price uncertainty is resolved.

Product and License Revenue

Revenue from the sale of product and software licenses is recognised when or as the Company transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

I. Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss using the effective interest method, except for those attributable to qualifying assets that are capitalised as part of the asset.

Foreign currency gains and losses are reported on a net basis.

J. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

NOTE 5: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Income tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

K. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows 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 classified as operating cash flows.

L. Intangible assets

i. Customer Formation costs

Customer Formation costs comprise of capitalised tendering and start-up costs (including due diligence, contract negotiations and transition) on specifically identified contracts which are generally amortised during the initial term of each contract which can range between 2 and 5 years. An exception to amortisation of customer formation costs over the initial term is applied when a specifically identified contract involves establishing a presence in a new region where the amortisation period is extended to include the optional term of the contract when it is expected that the optional term will be exercised by the customer, which can range between an additional 1 to 3 years. These costs comprise wages, contractor fees and expenses incurred, relating directly to tendering and start-up costs. Customer formation costs are disposed of on the expiry and termination of contracts regardless of whether new contracts are formed with those existing customers.

ii. Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using either diminishing or the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The amortisation rates for the current and comparative periods are as follows:

- Software 20.00% - 50.00%
- Customer Formation costs 20.00% - 50.00%

NOTE 6: REVENUE		2020 $	2019 $
A.	**Revenue from contracts with customers**		
	Services revenue	219,087,622	198,622,671
	Sale of goods	4,878,474	4,592,845
		223,966,096	**203,215,516**
B.	**Contract balances**		
	Receivables, which are included in trade and other receivables	21,291,389	22,021,297
	Contract assets	2,556,024	3,966,043
	Contract liabilities	(6,073,829)	(4,532,518)

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date for the provision of services pertaining to Managed services. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices the customer. Customers usually pay for amounts invoiced on a 30 day basis.

The contract liabilities primarily relate to advance consideration received from customers for provision of services, products and software licences and transition revenue that is recognised over the initial term of the customer contract.

NOTE 7: EXPENSES		2020 $	2019 $
A.	**Depreciation & amortisation of non-current assets**		
	• Leasehold improvements	590,150	770,254
	• IT equipment	995,409	1,002,344
	• Motor vehicle	22,212	24,467
	• Plant & equipment	198,892	51,895
	• Low value pool	54,301	59,673
	• Buildings right-of-use assets	3,568,883	-
	• Data Centre right-of-use assets	801,328	-
	• Amortisation of software	1,501,593	1,811,050
	• Amortisation of customer formation costs	5,054,156	3,149,549
TOTAL DEPRECIATION & AMORTISATION		**12,786,924**	**6,869,232**
B.	**Employee benefits expense**		
	• Defined contribution superannuation expense	11,820,742	9,762,696
	• Other Employee benefits expense	141,595,883	116,414,575
TOTAL EMPLOYEE BENEFITS EXPENSE		**153,416,625**	**126,177,271**

	2020 $	2019 $
NOTE 8: FINANCE AND INCOME EXPENSES		
Interest income on bank deposits and cash and cash equivalents	67,300	206,950
FINANCE INCOME	**67,300**	**206,950**
Interest and finance charges on borrowings	(491,548)	(421,583)
Interest and finance charges on lease liabilities	(329,043)	-
FINANCE EXPENSE	**(820,591)**	**(421,583)**
NET FINANCE INCOME (EXPENSE)	**(753,291)**	**(214,633)**

NOTE 9: INCOME TAX EXPENSE		
CURRENT TAX EXPENSE		
Current tax	4,749,607	6,709,197
Adjustment for prior period	(133,289)	-
	4,616,318	**6,709,197**
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	793,522	388,323
	5,409,840	**7,097,520**
NUMERICAL RECONCILIATIONS BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT		
Profit before income tax	17,856,664	23,081,005
Income tax using the Company's domestic tax rate of 30% (2019: 30%)	5,356,999	6,924,301
Non-deductible expenses	374,647	173,219
Adjustment for prior period	(133,289)	-
R&D net tax benefit	(188,517)	-
	5,409,840	**7,097,520**

NOTE 10: AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	2020 $	2019 $
Audit of financial reports	60,638	40,800
Other advisory services	24,837	23,750
Taxation services	34,430	23,994
	119,905	**88,544**

NOTE 11: DIVIDENDS		
Fully franked ordinary dividend franked at the rate of 30%	8,900,010	24,420,000

NOTE 12: CASH AND BANK BALANCES		
Cash at bank	41,711,981	31,207,594
Cash deposits	139	1,806
Term deposits	-	2,805,997
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASHFLOW	**41,712,120**	**34,015,397**

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

NOTE 13: TRADE AND OTHER RECEIVABLES	2020 $	2019 $
CURRENT		
Trade receivables	22,291,389	22,021,297
Provision for impairment of receivables	-	-
	22,291,389	**22,021,297**
Other receivables	5,944	2,165
	22,297,333	**22,023,462**

Trade and other receivables are initially recognised at the fair value of the services provided to the customer and subsequently at amortised cost less expected credit loss allowances. Due to the short- term nature of trade and other receivables their carrying amount approximates their fair value.

NOTE 14: OTHER CURRENT ASSETS	2020 $	2019 $
Prepayments	1,463,460	1,882,724
Deferred cost of goods sold	2,331,721	893,077
Other	1,500	82,237
	3,796,681	**2,858,038**

NOTE 15: INTANGIBLE ASSETS		
Customer Formation costs at:		
Cost	24,417,531	22,685,396
Less accumulated amortisation	(15,585,906)	(14,176,592)
	8,831,625	**8,508,804**
Software at:		
Cost	313,768	5,325,566
Less accumulated amortisation	(160,039)	(4,345,161)
	153,729	**980,405**
	8,985,354	**9,489,209**

Movements in the carrying amounts of each class of assets at the beginning and end of current financial period is as set out below:

	CUSTOMER FORMATION COSTS	SOFTWARE	TOTAL
Balance at 1 July 2018	5,637,626	1,337,664	6,975,290
Additions	6,020,727	1,453,791	7,474,518
Amortisation expense	(3,149,549)	(1,811,050)	(4,960,599)
Balance at 30 June 2019	**8,508,804**	**980,405**	**9,489,209**
Additions	5,376,977	982,551	6,359,528
Disposals	-	(6,663)	(6,663)
Transfers	-	(300,971)	(300,971)
Amortisation expense	(5,054,156)	(1,501,593)	(6,555,749)
Balance at 30 June 2020	**8,831,625**	**153,729**	**8,985,354**

NOTE 16: PROPERTY, PLANT AND EQUIPMENT	2020 $	2019 $
Leasehold improvements at:		
cost	5,441,214	6,312,379
Less accumulated depreciation	(3,134,657)	(3,470,437)
	2,306,557	**2,841,942**
IT equipment at:		
cost	2,605,201	5,677,356
Less accumulated depreciation	(1,263,338)	(4,060,516)
	1,341,863	**1,616,840**
Motor vehicles at:		
cost	206,235	212,850
Less accumulated depreciation	(155,047)	(139,451)
	51,188	**73,399**
Plant & equipment at:		
cost	825,594	623,558
Less accumulated depreciation	(454,867)	(274,389)
	370,727	**349,169**
Low value pool at:		
cost	119,410	173,348
Less accumulated depreciation	(60,433)	(77,201)
	58,977	**96,147**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**4,129,312**	**4,977,497**

Movements in the carrying amounts of each class of assets at the beginning and end of current financial period is as set out below:

	LEASEHOLD IMPROVEMENTS	IT EQUIPMENT	MOTOR VEHICLES	PLANT & EQUIPMENT	LOW VALUE POOL	TOTAL
Balance at 1 July 2018	3,563,059	1,688,337	97,866	350,442	91,818	5,791,522
Additions	71,699	1,147,631	-	52,850	65,433	1,337,613
Disposals	(22,562)	(216,784)	-	(2,228)	(1,431)	(243,005)
Depreciation expense	(770,254)	(1,002,344)	(24,467)	(51,895)	(59,673)	(1,908,633)
Balance at 30 June 2019	**2,841,942**	**1,616,840**	**73,399**	**349,169**	**96,147**	**4,977,497**
Additions	194,771	749,662	-	82,146	18,203	1,044,782
Disposals	-	(11,655)	-	(262)	(1,072)	(12,989)
Transfers in/(out)	(140,006)	(17,575)	-	138,566	-	(19,014)
Depreciation expense	(590,150)	(995,409)	(22,212)	(198,892)	(54,301)	(1,860,964)
Balance at 30 June 2020	**2,306,557**	**1,341,863**	**51,188**	**370,727**	**58,977**	**4,129,312**

NOTE 17: RIGHT-OF-USE ASSETS	2020 $
Buildings – rights-of-use assets	15,244,512
Less accumulated depreciation	(3,568,883)
	11,675,629
Data Centre - right-of-use assets	3,218,341
Less accumulated depreciation	(801,328)
	2,417,013
TOTAL RIGHT-OF-USE ASSETS	**14,092,642**

In accordance with AASB 16, the Company has recognised the right-of-use assets across the lease contract terms.

The Company leases buildings for its offices under agreements with remaining terms of between 1 to 5 years and Data Centre racks for provision of its services under agreements with remaining terms of between 1 to 4 years.

Reconciliations

Movements in the carrying amounts of each class of right-of-use asset at the beginning and end of current financial period is as set out below:

	BUILDINGS	DATA CENTRE
Balance at 1 July 2019	-	-
Recognition of right-of-use asset on initial adoption of AASB 16	13,830,608	2,887,585
Additions through lease modifications	1,413,904	330,756
Depreciation expense	(3,568,883)	(801,328)
BALANCE AT 30 JUNE 2020	**11,675,629**	**2,417,013**

NOTE 18: TRADE AND OTHER PAYABLES	2020 $	2019 $
Trade creditors	3,303,339	3,652,738
Sundry creditors and accrued expenses	10,866,145	11,427,782
	14,169,484	**15,080,520**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Trade and other payables are short-term and measured at amortised cost and are not discounted. The amounts are unsecured and usually paid within 30 days on recognition based on the credit terms. Due to the short-term nature of these payables their carrying amount approximates their fair value.

NOTE 19: TAX ASSETS AND LIABILITIES

CURRENT TAX LIABILITY

The current tax liability for the Company of $308,109 (2019: $833,863) represents the amount of income taxes payable in respect of current and prior financial periods.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are attributable to the following:

	2020 $	2019 $
Property, plant and equipment	-	402,259
Trade and other payables	523,676	317,990
Contract liabilities	857,989	639,562
Lease liabilities	254,751	-
Provisions	6,552,922	5,820,863
DEFERRED TAX ASSETS	**8,189,338**	**7,180,674**
Movements:		
Opening balance	7,180,674	5,954,369
Credited to profit or loss (Note 9)	1,008,664	1,226,305
CLOSING BALANCE	**8,189,338**	**7,180,674**

Deferred tax liabilities are attributable to the following:

Intangible Assets	2,649,487	2,552,642
Property, plant and equipment	99,275	-
Trade and other receivables	1,680	649
Prepayments	17,991	-
DEFERRED TAX LIABILITIES	**2,768,433**	**2,553,291**
Movements:		
Opening balance	2,553,291	1,715,309
Charged to profit or loss (Note 9)	215,142	837,982
CLOSING BALANCE	**2,768,433**	**2,553,291**

NOTE 20: PROVISIONS

	2020 $	2019 $
CURRENT		
Annual leave provision	9,980,173	7,863,404
Long service leave provision	8,218,876	6,393,889
Make good provision	1,159,144	1,705,840
	19,358,193	**15,963,133**
NON-CURRENT		
Long service leave provision	2,484,878	3,439,743
	2,484,878	**3,439,743**

NOTE 20: PROVISIONS (CONTINUED)

Movements in each class of provisions during the current financial year are set out below:

	ANNUAL LEAVE	LONG SERVICE LEAVE	MAKE GOOD	TOTAL
	$	$	$	$
At 1 July 2019	7,863,404	9,833,632	1,705,840	19,402,876
Arising during the year	11,689,993	1,650,549	-	13,340,542
Released during the year	-	(65,487)	-	(65,487)
Utilised during the year	(9,573,224)	(714,940)	(546,696)	(10,834,860)
At 30 June 2020	**9,980,173**	**10,703,754**	**1,159,144**	**21,843,071**

	2020
	$
NOTE 21: LEASE LIABILITIES	
CURRENT	
Lease liability	3,946,106
	3,946,106
NON-CURRENT	
Lease liability	10,995,706
	10,995,706
TOTAL LEASE LIABILITIES	**14,941,812**

In accordance with AASB 16, the Company has recognised the financial liabilities representing the obligation to make future lease payments across office lease and data centre lease agreements. The Company applied incremental borrowing rate of 1.20% – 2.22% for its leases.

The movement in lease liabilities is set out below:

Balance at 1 July 2019	-
Recognition of right-of-use liabilities on initial application of AASB 16 Leases (note 2)	17,264,889
Additions through lease modifications	1,725,012
Interest expensed	329,043
Interest paid	(329,043)
Principal repayments	(4,048,089)
BALANCE AT 30 JUNE 2020	**14,941,812**

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for low value assets. The expense relating to payments of low value assets is $46,160.

	2020	2019
	$	$
NOTE 22: ISSUED CAPITAL		
30,000 fully paid ordinary shares	30,000	30,000
30 fully paid D class shares	30	30
	30,030	**30,030**

	2020 $	2019 $
NOTE 23: RELATED PARTIES		
Transactions with key management personnel		
Short-term employee benefits	3,826,112	3,547,807
Defined contribution benefits	202,921	217,191
Long-term benefits	94,390	81,368
	4,123,423	**3,846,366**

During 2020 and at 30 June 2020, there were no other transactions or outstanding balances with related parties

NOTE 24: COMMITMENTS

At 30 June 2020, the Company has capital and contractual commitments entered, but not provided for in the financial statements, of $524,488 (2019: $2,110,410).

	2020 $	2019 $
NOTE 25: CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax		
Profit from ordinary activities after income tax	12,446,824	15,983,485
Non-cash flows in profit from ordinary activities		
Depreciation & Amortisation	12,786,924	6,869,232
Net loss on disposal of plant and equipment	10,274	161,064
Changes in Assets & Liabilities:		
(Increase)/decrease in receivables	(273,871)	4,456,737
(Increase)/decrease in contract assets	1,410,019	2,274,754
(Increase)/decrease in other assets	(618,659)	(230,261)
(Increase)/decrease in deferred taxes	(793,522)	(388,324)
Increase/(decrease) in payables	(719,859)	797,840
Increase/(decrease) in contract liabilities	1,541,311	325,679
Increase/(decrease) in income tax payable	(525,754)	(100,412)
Increase/(decrease) in provisions	2,986,890	1,708,579
CASH FLOWS FROM OPERATIONS	**28,250,577**	**31,858,373**

The Company has no financial liabilities that relate to financing cash flows. During 2020, there were no non-cash transactions.

Bank Facility

The Company has a facility issued by ANZ to the value of $45,062,078 (2019: $44,311,503) comprised of a commercial card facility, a specific standby letter of credit or guarantee facility and a multi-option facility that may be used for the issue of standby letters of credit, guarantees or as an overdraft facility. At 30 June 2020 $29,390,684 was used (2019: $32,337,449).

NOTE 26: CONTINGENT LIABILITIES	2020 $	2019 $
Bank guarantees and security deposits given on behalf of the Company to:		
Customers	26,762,078	30,011,503
Lessors of leased premises	2,607,072	2,273,254
TOTAL BANK GUARANTEES/SECURITY DEPOSITS	**29,369,150**	**32,284,757**

The bank guarantees in place at 30 June 2020 to the value of $29,369,150 (2019: $32,284,757), which were given by the Company's Bankers, were secured by Nil (2019: $2,805,997) of term deposits and a fixed and floating charge over the assets and undertakings of the Company.

NOTE 27: SUBSEQUENT EVENTS

In the opinion of the directors of Kinetic IT, in the interval between the end of the financial year and the date of this report, there has not arisen any other item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

NOTE 28: COMPANY DETAILS

The registered office of the Company is:
Ground Floor, 30 The Esplanade
Perth WA 6000

7.

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In the opinion of the directors of Kinetic IT Pty Ltd ("the Company"):

A. the Company is not publicly accountable;

B. the financial statements and notes, set out on pages 9 to 39, are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statements of compliance and basis of preparation described in Note 3; and

   ii. complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001; and

C. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors, made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors:

Director .....

David John McCleery

Dated this 30 October 2020

8.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of Kinetic IT Pty Ltd

Opinion

We have audited the financial report of Kinetic IT Pty Ltd (the "Company") which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & 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.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.
Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we 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 – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 30 October 2020

9.

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Kinetic IT Pty Ltd
30 The Esplanade
PERTH WA 6000

30 October 2020

Dear Board Members

Auditor's Independence Declaration to Kinetic IT Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Kinetic IT Pty Ltd.

As lead audit partner for the audit of the financial statements of Kinetic IT Pty Ltd for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants

kinetic IT

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