



2018/2019

Annual Report

archTIS

AR9

 archTIS

Corporate Directory

Directors

Stephen Smith
Daniel Lai
Bruce Talbot
Leanne Graham
Wayne Zekulich

Company Secretary

Baden Bowen

Registered Office

Level 3, archTIS House
10 National Circuit
Barton ACT 2600

Principal Place of Business

Level 3, archTIS House
10 National Circuit
Barton ACT 2600

Share Register

Automic
Level 2, 267 St Georges Terrace
Perth, WA 6000

Auditor

RSM Australia Partners
Equinox Building 4, Level 2
70 Kent Street
Deakin, ACT 2600

Stock Exchange

archTIS Limited shares are listed on the
Australian Securities Exchange (ASX: AR9)

Website

www.archtis.com

Corporate Governance Statement

www.archtis.com/company/investor-relations/

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archTIS at a Glance

archTIS' vision is to be the company that the world trusts with its most valuable information.

23

Highly skilled staff employed

Core Value #1
Collaboration

120+

Demonstrations of Kojensi Gov held

Core Value #2
Trust



Company founded in 2006 and listed in 2018

Core Value #3
Responsibility

**9 April
2019**

Commercial launch of Kojensi Gov

Core Value #4
Innovation

9

Partnerships

Highlight

Kojensi Gov passes IRAP assessment

\$4.2m

Development & software assets created

Highlight

archTIS signs reseller agreement with Team Asparona

50%

Full-time female employees



Signed Attorney General's Department as first govt. client

\$606,613

Kojensi revenue for 2019

Highlight

Kojensi Gov added to Cloud Services Panel

\$4.75m

Investment proceeds remaining for 2020

Highlight

Kojensi Gov demonstrated to NATO

The Global Problem We Solve

Empowering organisations to share information with confidence

The digital age has created new and better ways of working smarter and faster, anywhere, anytime. Through digital collaboration organisations have:

- Increased productivity
- Discovered new economic opportunities
- Improved the creation of new public policies
- Improved the delivery of services

However, collaborating on and sharing sensitive, valuable, or classified information, poses risks to organisations and government, making it difficult to do safely.

Foreign actors and cyber criminals are targeting this information, which can threaten national security and lead to financial and reputational harm.

archTIS creates solutions that facilitate secure sharing and collaboration of documents and data to empower governments, industry and Defence, worldwide, to share information with confidence. To achieve this we apply a unique security model, known as Attribute Based Access Control (ABAC), to each of our solutions, allowing individuals to define the rules of who accesses their information.

The ABAC model applies attributes to things like documents and users. Here is a simplified example of ABAC applied to document sharing and collaboration, as used in Kojensi Gov.



A role is applied to the document



A user has attributes



If the roles match the attributes, the user is granted access

Our applications of ABAC



Kojensi Gov

LAUNCHED

Secure content and collaboration platform, hosted in the cloud, for multi-agency and industry collaboration.



Kojensi Field

IN DEVELOPMENT

Field appliance which will enable secure access to information in remote locations for military or emergency personnel.



Kojensi

IN DEVELOPMENT

TOP SECRET information sharing platform, for collaborating on highly classified information.

Kojensi Gov

Connect. Create. Collaborate. Securely.

Kojensi Gov, launched in April 2019, is a PROTECTED cloud service that enables government and industry to securely share and collaborate on classified information up to the PROTECTED level. Kojensi Gov's industry leading attribute based security model makes the platform unique. User and document attributes control the flow of information and facilitate secure sharing within your agency and across agencies and their industry partners.



Keep documents secure



Ensure compliance



Increase productivity



Collaborate with anyone

Collaboration that is simple, secure and effective



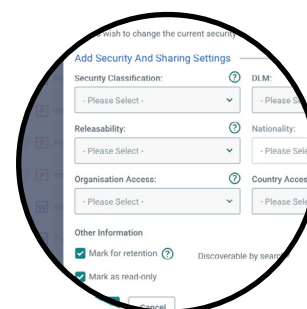
Distributed Administration

There are no super users inside of Kojensi Gov, you control the data you create or upload and who you share it with.



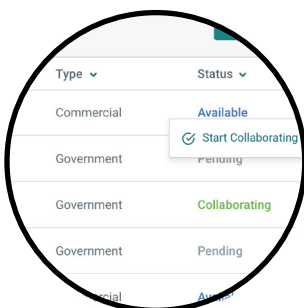
Secure Online Editing

Create, share and co-author documents, tracking your changes as you go.



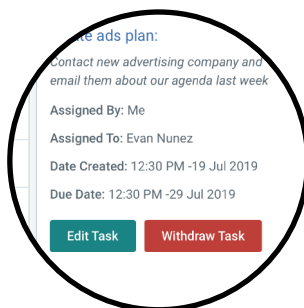
Security Controls and Settings

Use the security controls to decide who will access your documents, including security level, organisation and country.



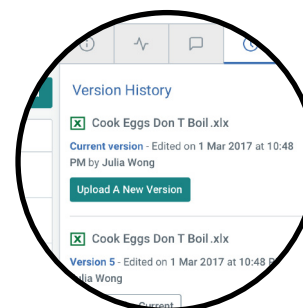
Inter-agency Collaboration

Collaborate within your agency, with other agencies and industry partners at different security levels.



Tasks and Workflows

Set tasks and workflows for yourself and others, helping you to better communicate and meet deadlines.



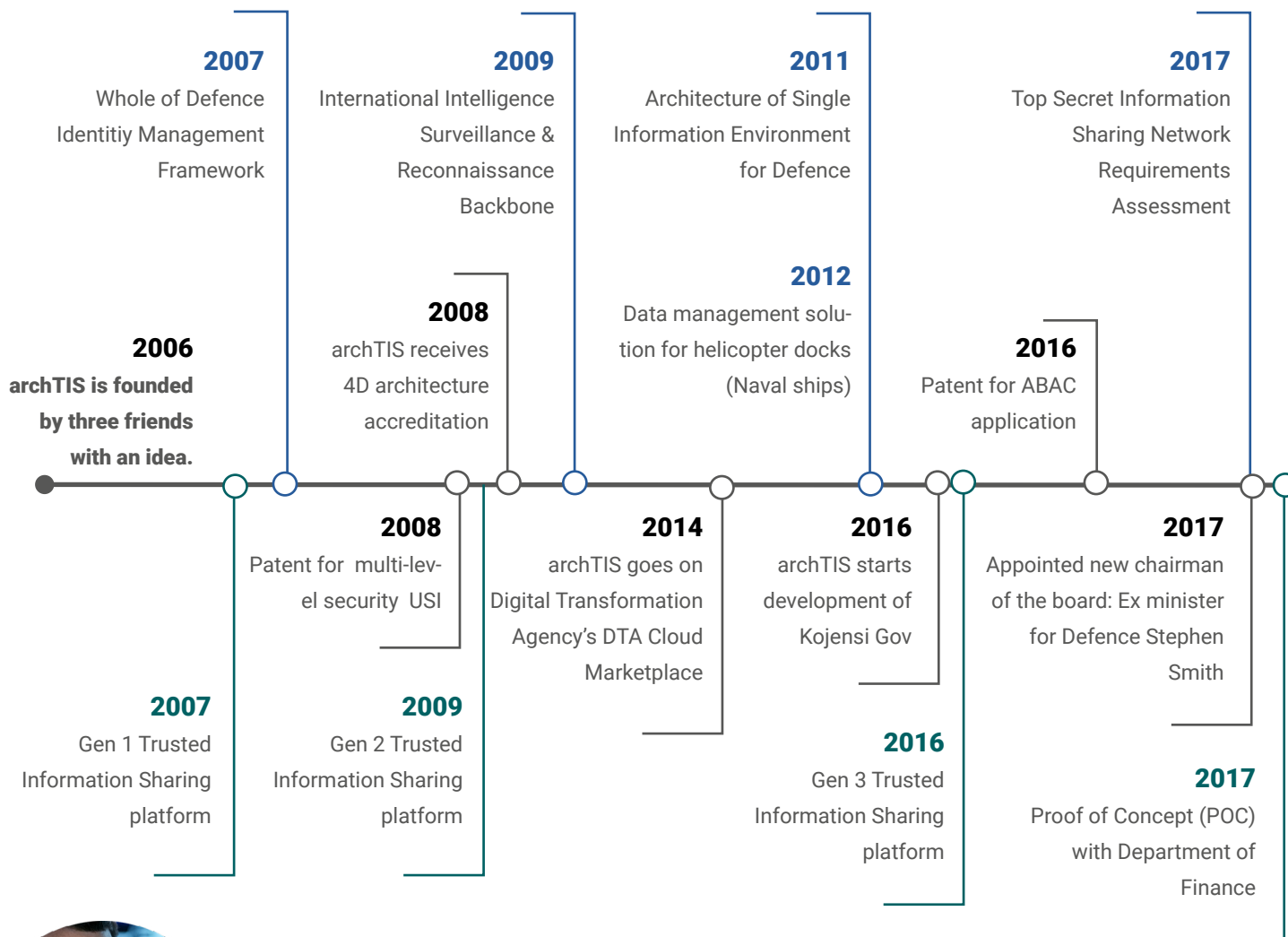
Document Version Control

A fully integrated content and records management system allows you to retain and access all versions of a document.

13 Years of Experience

archTIS' founders Daniel, Bruce and Phillip started archTIS in 2006 with the idea **to solve a global critical problem - how to share information securely**. For many years the company worked in the TOP SECRET space, building solutions for those with highly classified information, such as Defence. This experience helped to shape the company's flagship

product Kojensi Gov. archTIS' products and services are built on years of experience solving information sharing challenges. The difference lies in security, at archTIS we put security first.



- Services
- Corporate
- Product



FY19

2018

archTIS list on Australian Securities Exchange (ASX) as AR9

2019

archTIS expands overseas through reseller agreement with New Zealand based Team Asparona

2018

archTIS forms strategic partnership and reseller agreement with Axiomatcs

2019

Kojensi Gov receives endorsement from DTA and is added to the Cloud Services Panel

2019

archTIS' product Kojensi Gov passess iWRAP assessment

2018

Created first generation of Kojensi Field for Papua New Guinea Government

2018

Attorney General's department (AG's) signs on as Beta client

2019

AG's Beta program Extended to Royal Commission

2019

Version 1.1 of Kojensi Gov released following feedback from Beta clients

Our Partnerships

Vault Cloud

Cloud Provider

Vault Cloud provides a secure, sovereign cloud for government and critical Infrastructure. archTIS and Vault have partnered together to deliver Kojensi Gov for Australian Government PROTECTED collaboration requirements.

Team Asparona

Reseller and Strategic Partner

Team Asparona is a New Zealand-based company providing Enterprise Content Management software services to the New Zealand Government. Using its established network of government clients, Team Asparona is working with archTIS as a reseller of Kojensi Gov. Team Asparona also has a strong international reputation with a presence in Europe and the United States through its relationship with Team Informatics.

Agile Digital

Partner

Agile Digital are experts in digital strategy and agile software delivery. archTIS partners with Agile Digital as a key development and sales partner for Federal Government agencies.

SME Gateway

Partner

SME Gateway provides support to Australian SMEs delivering projects and expert professional/technical capability across Australia. The SME Gateway/archTIS partnership is designed to provide SME Gateway's members access to the Kojensi platform for classified collaboration for both bid and successful project work where higher levels of security are required.





Jacobs

Partner

Jacobs' mission is to be the world's premier design, engineering, construction and technical services firm delivering end-to-end innovative solutions that provide superior value to clients. Jacobs partners with archTIS to bring the Kojensi platform to its existing and potential clients.

Axiomatics

Partner

Axiomatics is the premier vendor of dynamic authorisation delivered through Attribute Based Access Control (ABAC) solutions. archTIS partners with Axiomatics to extend Kojensi's ABAC document and file security model for organisations requiring dynamic authorisation of their critical data.

Oracle

Partner

Oracle is one of the world's leading global software companies. As an Oracle Gold partner archTIS utilises key Oracle capabilities to make the Kojensi platform a scaleable platform to meet the enterprise needs of our clients. Oracle is also partnering with archTIS to bring the Kojensi platform to existing Oracle clients.

DXC Technology

Partner

DXC is the world's leading independent end-to-end IT services company, helping clients harness the power of innovation. The DXC and archTIS partnership will deliver the Kojensi platform to key government agencies, as well as open future opportunities at a global scale.

AWS

Development & Cloud Provider

archTIS utilises the Amazon Web Services platform to provide a global development platform for its team. archTIS and AWS are partnering to offer the Kojensi platform to key clients both in Australia and across the world.

Board of Directors



Left to right: Stephen Smith, Daniel lai, Bruce Talbot, Leanne Graham, Wayne Zekulich

Stephen Smith

Chairman of the Board

Stephen Smith was a member of the House of Representatives from 1993 to 2013. He served as a minister in the Rudd and Gillard Governments, including as Minister for Foreign Affairs (2007-2010), Minister for Trade (2010), and Minister for Defence (2010-2013). Stephen has also served as a board member for two not-for-profit organisations including Perth USAsia Centre and LNG Marine Fuel Institute.

Interest in Shares and Options: 1,080,000 options

Other current directorships: Member of Sapien Cyber Board from 1 Sept., and Chairman of Sapien Cyber Board from 16 Sept.

Former directorships (last 3 years): None

Daniel Lai

archTIS CEO

Daniel is a founding member of the Company and has successfully developed the business with its partners to be recognised by the Australian and United States Departments of Defence as a thought leader in information sharing strategies. Most importantly Daniel has direct experience in implementing organisational change to address the real challenges businesses confront today in a rapidly evolving environment.

Interest in Shares and Options: 7,284,252 ordinary shares and 1,800,000 options

Other current directorships: None

Former directorships (last 3 years): None

Bruce Talbot

Consultant and Executive Director

Bruce has been involved in the creation, implementation and management of advanced computer security systems and capabilities. He has over 20 years experience in the Australian Defence Force and a further 20 years in the commercial

sector working for CA Technologies, Hitachi Data Systems, Airservices Australia and the Australian Federal Police.

Interest in Shares and Options: 7,396,436 ordinary shares and 1,080,000 options

Other current directorships: None

Former directorships (last 3 years): None

Leanne Graham

Non-Executive Director

With over 30 years in the software sector, Leanne has assisted technology companies with her broad experience and SaaS expertise. In 2018, Ms. Graham was awarded the New Zealand Order of Merit for her services to the software industry. Her current ASX listed boards are Bid Energy, AppsVillage, archTIS and VPCL.

Interest in Shares and Options: 50,000 ordinary shares and 540,000 options

Other current directorships: Executive Chairman of VPCL Limited, Non-Executive Director of BidEnergy Limited and Non-Executive Director of AppsVillage

Former directorships (last 3 years): None

Wayne Zekulich

Non-Executive Director

Wayne is a consultant with extensive banking and investment banking experience covering mergers and acquisitions, arranging and underwriting financings and debt and equity capital markets. Wayne is a member of the Curtin Business School of Accounting Advisory Board and the John Curtin Gallery Board, a member of the University of Western Australia Audit Committee and a Board member of ARTrinsic Inc.

Interest in Shares and Options: 100,000 ordinary shares and 540,000 options

Other current directorships: None

Former directorships (last 3 years): None

Senior Management



Left to right: Daniel Lai, Sarah Young, Matthew Kluku, Marcelle Newbound

Daniel Lai

archTIS CEO

Daniel has extensive industry experience in successfully delivering outcomes as part of a senior executive team to both government and commercial organisations. Most importantly Daniel has direct experience in implementing organisational change to address the real challenges businesses confront today in a rapidly evolving environment.

Sarah Young

archTIS CFO

Sarah has over 18 years experience in finance and strategy, including executive level responsibility for business case, valuation and pricing models, financial, budgeting and cashflow management, product and corporate development, and stakeholder management (managing and raising over A\$8 billion of funds). Sarah has been a key finance/strategy executive for E*Trade, Ubitrade and Colonial First State, and has managed international direct investment portfolios including Rubicon Japan Trust and Evolution/Lehman Bros.

Nick Main

archTIS CTO

Nick brings over 20 years experience in Information and Communication Technologies across both public and private sectors. Having filled executive roles in government organisations as well as across service providers, vendors and global system integrators he has built expertise across a broad range of technology. Nick delivers technology leadership across security, infrastructure, architecture, engineering and Information and Communication Technologies transformation, maintaining focus on the alignment of business and technology outcomes.

Matthew Kluku

Business Development Manager

Matthew has 25 years experience in the Information and Communication Technologies Industry in Sales, Marketing, Technical and Customer Experience in large multinational technology and advisory companies such as Gartner, NetApp, CA Technologies and Oracle. His primary focus is building archTIS's presence with Federal and State Government, as well as building their partner eco-system supporting this market, both within Australia and internationally.

Marcelle Newbound

Customer and Employee Success Manager

Marcelle has over 14 years of experience working in the Information and Communication Technologies sector across multi-national companies, including Deloitte, Thales and Peoplebank. Marcelle's experience spans across driving strategy, maturing process and policy, creating customer onboarding and training and Account Management. Marcelle is focused on optimizing the employee and customer experience to drive satisfaction and product renewal.

Our Differentiators



Australian business

Founded in Australia, headquartered in Canberra

archTIS' solutions are created specifically for Australian government and industry requirements, by an Australian company. archTIS understands the problems faced by government and industry in Australia and has direct experience solving these problems.

Kojensi Gov is hosted within an ASD accredited cloud provider, locally, enabling government and industry to feel secure knowing their data is safe.

Experienced in the TOP SECRET space

13 years experience creating solutions for sharing information at TOP SECRET

archTIS' experience and products are born out of the TOP SECRET areas of government. archTIS received accreditation to TOP SECRET by the US and AU governments for its first information sharing platform. archTIS has used this experience to deliver the same security model to a PROTECTED platform for secure sharing and collaboration, known as Kojensi Gov.

Unlike others, archTIS' solutions are developed with security as a foundation rather than an afterthought.



User focused solutions

Solutions created based on user feedback, to be simple and intuitive

archTIS' solutions are developed closely with government partners to create user-centric solutions. The Kojensi Gov platform is based on how users work, not how products force people to work. archTIS' product team use the "agile" method to ensure the development of the product is focused on user feedback.

Kojensi Gov is a modern, user friendly platform that is simple and effective to use for government and their partners.



This provides us with a unique opportunity to capture markets including government to government, government to industry, multi-coalition and multi-domain.

Letter from the CEO

Daniel Lai, archTIS CEO

Dear shareholders,

Thank you for your support through what has been a busy year for archTIS, including the successful launch of Kojensi Gov, new strategic partnerships and product enhancements. We commence the 2020 financial year with strong momentum and remain focused on securing a number of key commercial contracts, expected to convert in the coming months.

I would like to highlight a number of significant achievements from this financial year:

The commercial launch of Kojensi Gov in April, and subsequent 120+ product demonstrations to both the government and private sector. Advanced commercial discussions are now progressing with government organisations and companies in the private sector.

Expanding on our partnerships and reseller networks, including most notably our strategic and reseller agreement with TEAM Asparona (a leading New Zealand-based software provider for government). This provides a direct sales channel into New Zealand's government, Defence and intelligence sectors through TEAM Asparona's existing client base.

Kojensi Gov's inclusion on the Digital Transformation Agency's (DTA) cloud Marketplace earlier this year. Inclusion on this panel shortens the procurement process for Kojensi Gov across Australian Commonwealth, State and Territory governments, universities and local councils.

The completion of the International Registered Assessors Program (IRAP) assessment for Kojensi Gov. Passing this assessment allows our product to hold PROTECTED information, delivering on key compliance requirements for government.



Commencement of the Beta program with the Attorney General's Department, and extension of this to include the Aged Care Royal Commission. This provides us with valuable feedback for the product.

The conversion of archTIS' Beta client the Attorney General's Department, our first client of Kojensi Gov, in September this year. This proves the demand for Kojensi Gov's unique differentiator allowing collaboration of information classified at the PROTECTED level between government and industry

On behalf of the Board and Senior Management Team I would like to thank our staff and shareholders for their ongoing contribution and commitment to the Company. We are focused on delivering our strategy and vision, and look forward to converting more commercial contracts in the coming months.

Sincerely, Daniel Lai (archTIS CEO)

DIRECTORS' REPORT

30 JUNE 2019

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of archTIS Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of archTIS Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Stephen Smith
- Daniel Lai
- Bruce Talbot
- Leanne Graham
- Wayne Zekulich

Company Secretary

Baden Bowen has held the role of Company Secretary since February 2018. Mr Bowen has over 35 years accounting and company secretary experience in commercial and financial roles, including financial accounting, external and internal audit. He has served as Director and company secretary for a number of public and private companies and is a fellow of the Institute of Chartered Accountants in Australia.

Directors and Meetings of Directors

The qualifications and experience of directors, including current and recent directorships, are detailed on pages 12 to 13 of the Annual Report.

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Number of Meetings Held*	Number Attended
Stephen Smith	11	11
Daniel Lai	11	10
Bruce Talbot	11	10
Leanne Graham	11	11
Wayne Zekulich	11	11

* Held represents the number of meetings held during the time the director held office.

The Directors have determined that the Group's operations continue not to be of a sufficient magnitude to require the Board Committees outlined in the Corporate Governance Plan. The Board is carrying out the duties that would ordinarily be assigned to each committee under the written terms of reference for that committee

DIRECTORS' REPORT

30 JUNE 2019

Principal Activities

During the financial year the principal continuing activities of the Group consisted of:

- Development of a cloud based, secure (PROTECTED) information management and collaboration software (Kojensi.gov)
- Consulting and solutions services for secure information sharing and inter-organisational collaboration

Dividends

No dividends paid during the financial year.

Review of Operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$3,931,517 (30 June 2018 (re-stated: \$2,146,051)).

The consolidated entity focused on product development of Kojensi.gov with a consequent reduction in consulting and services revenues. During the year, the company capitalised costs related to development of Kojensi.gov and other attribute-based access control (ABAC) algorithms that are expected to be recouped in the future. A successful conclusion from research and development is inherently risky. The Group launched the first commercialised version of Kojensi.gov in April 2019, and is focused on converting sales opportunities to future revenue.

In order to meet the funding requirements of the future research and development, an initial public offer (IPO) in August 2018 raised additional capital of \$8,000,000 (\$7,383,497 net cash proceeds). The IPO was successfully completed in September 2018 and the Group was listed on the Australian Stock Exchange on 21 September 2018. As at 30 June 2019 the Group has maintained cash (or cash equivalents) of \$3,255,200 (44% of net capital proceeds of the IPO). In addition, a Research and Development tax grant of \$1,494,825 is expected to be received by October 2019.

In August 2018, archTIS Solutions Pty Ltd, a subsidiary of the parent entity established an office in the Czech Republic to engage and manage a software development team based in the Czech Republic. In May 2019, after the substantial completion of product development, the Czech office was closed. The Group continues to utilise contractor resources in the European Union for development of updated versions of Kojensi.gov.

Significant changes in the state of affairs

In July 2018 share options at 1.9% of capital were issued and in September 2018 the lead managers of the initial public offer were issued share options at 6% of capital.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' REPORT

30 JUNE 2019

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the company

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

Shares under option

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

Grant Date	Expiry Date	Exercise Price	Number under Option
10 Oct 2017	10 Oct 2022	\$ 0.10	4,289,880
01 Feb 2018	1 Feb 2021	\$ 0.12	7,200,000 *
22 May 2018	1 Jul 2023	\$ 0.20	1,200,000
05 Sep 2018	5 Sept 2022	\$ 0.24	5,000,000
01 Feb 2018	1 Feb 2021	\$ 0.12	300,000 *
06 Jul 2018	5 July 2021	\$ 0.20	1,600,000
Total options on issue			19,589,880

* Vest in three equal tranches at 1 Feb 2018, 1 Feb 2019 and 1 Feb 2020

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

DIRECTORS' REPORT

30 JUNE 2019

REMUNERATION REPORT (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Overview of remuneration approach and framework

From time to time, the Board of Directors ('the Board') reviews the remuneration arrangements for its Directors and Executive Officers, to ensure reward for performance is competitive and appropriate for the results delivered. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The remuneration of Directors and other key management personnel is not directly linked to the Group's performance.

The remuneration of Directors and other key management personnel is fixed annually. Bonuses are structured to reward outstanding performance against agreed Key Performance Indicators (KPI's) including financial and non-financial metrics.

The Group did not engage a remuneration consultant to provide recommendations in respect of the remuneration of key management personnel.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The company's Constitution provides that the maximum annual aggregate remuneration for non-executive directors will be not more than a fixed sum determined by a general meeting. Post admission to the Official list of the ASX, this was determined to be \$250,000 per annum.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

DIRECTORS' REPORT

30 JUNE 2019

REMUNERATION REPORT (audited) (cont.)

Executive remuneration (cont.)

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the Group's direct competitors.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables. The key management personnel of the Group consisted of the following personnel of archTIS Limited:

Directors	
Stephen Smith	Chairman
Daniel Lai	Managing Director & Chief Executive Officer
Bruce Talbot	Executive Director & Chief Architect
Leanne Graham	Non-executive Director
Wayne Zekulich	Non-executive Director

Key Management Personnel	
Matthew Kluken	Head of Business Development & Sales
Nick Main	Chief Technology Officer
Marcelle Newbound	Head of People & Customer Experience
Phillip Dean	Principal Consultant
Martin Tucek	Product Manager (resigned 1 May 2019)
Deborah Tucek	Product & Capability Manager (resigned 1 Mar 2019)
Gregory Ginnivan	Senior Account Executive (resigned 21 Dec 2018)

Changes since the end of the reporting period

Sarah Young was appointed Chief Financial Officer on 16 July 2019.

DIRECTORS' REPORT

30 JUNE 2019

REMUNERATION REPORT (audited) (cont.)

Details of remuneration (cont.)

	Short-term			Share Based Payments	Post employment Super	Long Term Benefits	Long Service Leave	Total	% of salary assoc. with performance	Options as a % of total
	Salary	Cash Bonus	Other							
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
2019										
Non-Executive Directors										
Stephen Smith	75,000	-	-	41,646	7,125	-	-	123,771	-	34%
Wayne Zekulich	50,000	-	-	20,823	4,750	-	-	75,573	-	28%
Leanne Graham	-	-	54,750	20,823	-	-	-	75,573	-	28%
Executive Directors										
Daniel Lai	230,054	-	-	69,410	20,531	3,015	-	323,010	-	21%
Bruce Talbot	230,054	-	-	41,646	20,531	3,015	-	295,246	-	14%
Key Management Personnel										
Philip Dean	180,054	-	-	41,646	17,106	3,015	-	241,850	-	17%
Martin Tucek	241,634	-	-	64,000	17,856	-	-	296,490	-	29%
Debra Tucek	176,128	-	-	64,000	14,323	-	-	254,451	-	34%
Gregory Ginnivan	125,337	-	-	-	11,777	-	-	137,114	-	-
Matthew Klulken	175,436	23,526	-	-	17,473	2,931	-	219,366	11%	-
Nick Main	-	-	262,400	-	-	-	-	262,400	-	-
Marcelle Newbound	56,353	-	-	-	5,333	285	-	61,971	-	-
2018 – restated *										
Non-Executive Directors										
Stephen Smith	25,000	-	-	61,580	2,375	-	-	88,955	-	69%
Leanne Graham	-	-	20,833	30,790	-	-	-	51,623	-	60%
Wayne Zekulich	16,667	-	1,583	30,790	-	-	-	49,040	-	63%
James Hyndes	-	-	22,500	114,480	-	-	-	136,980	-	84%
Executive Directors										
Daniel Lai	219,221	-	-	102,633	17,343	3,001	-	342,198	-	30%
Bruce Talbot	250,372	-	-	61,580	20,302	(30,372)	-	301,882	-	20%
Key Management Personnel										
Matthew Klulken**	41,036	-	-	-	3,888	-	-	44,924	-	-
Phillip Dean	200,054	-	-	61,580	17,105	3,001	-	281,740	-	22%
Martin Tucek	166,340	-	-	-	15,943	-	-	182,283	-	-
Deborah Tucek	150,000	-	-	-	14,250	-	-	164,250	-	-
Gregory Ginnivan***	11,196	-	-	-	1,060	-	-	12,256	-	-

* Correction of prior period error for the year ended 30 June 2018 for error in treatment of share based payments (refer note 4)

** Represents remuneration from 7 March 2018 to 30 June 2018

*** Represents remuneration from 14 May 2018 to 30 June 2018

DIRECTORS' REPORT

30 JUNE 2019

REMUNERATION REPORT (audited) (cont.)

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

	Grant Date	Vesting Date	Expiry Date	Exercise Price	Value Per Opt	Number under Option
ACTU02 Class						
Non-Executive Directors						
Stephen Smith	1 Feb 18	1 Feb 19	1 Feb 21	\$ 0.12	\$ 0.106	360,000
	1 Feb 18	1 Feb 20	1 Feb 21	\$ 0.12	\$ 0.106	360,000
Leanne Graham	1 Feb 18	1 Feb 19	1 Feb 21	\$ 0.12	\$ 0.106	180,000
	1 Feb 18	1 Feb 20	1 Feb 21	\$ 0.12	\$ 0.106	180,000
Wayne Zekulich	1 Feb 18	1 Feb 19	1 Feb 21	\$ 0.12	\$ 0.106	180,000
	1 Feb 18	1 Feb 20	1 Feb 21	\$ 0.12	\$ 0.106	180,000
Executive Directors						
Daniel Lai	1 Feb 18	1 Feb 19	1 Feb 21	\$ 0.12	\$ 0.106	600,000
	1 Feb 18	1 Feb 20	1 Feb 21	\$ 0.12	\$ 0.106	600,000
Bruce Talbot	1 Feb 18	1 Feb 19	1 Feb 21	\$ 0.12	\$ 0.106	360,000
	1 Feb 18	1 Feb 20	1 Feb 21	\$ 0.12	\$ 0.106	360,000
Key Management Personnel						
Phillip Dean	1 Feb 18	1 Feb 19	1 Feb 21	\$ 0.12	\$ 0.106	360,000
	1 Feb 18	1 Feb 20	1 Feb 21	\$ 0.12	\$ 0.106	360,000
ACTU06 Class – Granted under the Performance and Rights Plan						
Martin Tucek	26 Jul 18	26 Jul 18	26 Jul 21	\$ 0.20	\$ 0.12	800,000
	26 Jul 18	na	na	\$ 0.20	NA	800,000
Debra Tucek	26 Jul 18	26 Jul 18	26 Jul 21	\$ 0.20	\$ 0.12	800,000
	26 Jul 18	na	na	\$ 0.20	NA	400,000
	26 Jul 18	na	na	\$ 0.20	NA	400,000

During the year ACTU06 options were granted, in accordance with the Performance and Rights Options Plan, over unissued fully paid ordinary shares in the company. Some options were subject to performance conditions associated with Key Performance Indicators. The options are exercisable by the holder from the vesting date. All options above options vested are to lapse within one month of the Eligible Participant to the Plan ceasing to be an employee.

There has not been any alteration to the terms or conditions of either grant of ACTU02 or ACTU06 options, since the grant date.

There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise. Options granted carry no dividend or voting rights.

DIRECTORS' REPORT

30 JUNE 2019

REMUNERATION REPORT (audited) (cont.)

Share-based compensation (cont.)

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Opening Balance	Received as part of remuneration	Additions	Disposals	Closing Balance
Non-Executive Directors					
Stephen Smith	-	-	-	-	-
Leanne Graham	-	-	50,000	-	50,000
Wayne Zekulich	-	-	100,000	-	100,000
Executive Directors					
Daniel Lai	7,284,252*	-	90,000	-	7,347,252
Bruce Talbot	7,346,436*	-	140,000	-	7,486,436
Key Management Personnel					
Matthew Klukun	-	-	160,000	-	160,000
Nick Main	-	-	-	-	-
Marcelle Newbound	-	-	-	-	-
Phillip Dean	7,284,252*	-	-	-	7,284,252

* 7,284,252 each are held in escrow until 21 September 2020

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Opening Balance	Granted	Exercised	Expired/ Forfeited /Other	Closing Balance
Non-Executive Directors					
Stephen Smith	1,080,000	-	-	-	1,080,000
Leanne Graham	540,000	-	-	-	540,000
Wayne Zekulich	540,000	-	-	-	540,000
Executive Directors					
Daniel Lai	1,800,000	-	-	-	1,800,000
Bruce Talbot	1,080,000	-	-	-	1,080,000
Key Management Personnel					
Martin Tucek	-	800,000	-	-	800,000
Debra Tucek	-	800,000	-	-	800,000
Matthew Klukun	-	-	-	-	-
Nick Main	-	-	-	-	-
Marcelle Newbound	-	-	-	-	-
Phillip Dean	1,080,000	-	-	-	1,080,000

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

30 JUNE 2019

Auditor

RSM Australia Partners ("RSM") continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services

Details of the amounts paid or payable to RSM for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on RSM's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of RSM; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing RSM's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 56.

DIRECTORS' REPORT

30 JUNE 2019

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Stephen Smith', with a horizontal line underneath the signature.

Stephen Smith

Chair

30 September 2019

Canberra, ACT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated		Previously Reported
		2019	Restated 2018	2018
	Note	\$	\$	\$
Revenue	3(a)	1,022,210	573,827	573,827
Cost of Sales		(227,590)	(1,462)	(1,462)
Gross Profit		794,620	572,365	572,365
Other Income	3(b)	370,672	227,896	227,896
Sales and Marketing		(269,955)	(160,873)	(160,873)
General Administration	4	(4,734,103)	(2,794,738)	(2,740,154)
Loss before Income Tax		(3,838,766)	(2,155,350)	(2,100,765)
Income Tax (Expense) / Benefit		(92,751)	9,299	9,299
Other Comprehensive Income		-	-	-
Total Comprehensive income for the year		(3,931,517)	(2,146,051)	(2,091,466)
		Cents	Cents	Cents
Basic earnings per share	29	(3.28)	(3.89)	(3.79)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		2019	Consolidated 2018	2018
	Note	\$	Restated \$	Previously Reported \$
ASSETS				
Current assets				
Cash and cash equivalents	6	3,255,200	1,638,668	1,638,668
Short term investments	6	-	57,478	57,478
Trade and other receivables	7	161,835	89,154	89,154
Other assets	8	113,435	116,393	116,393
Tax assets	17	1,494,825	922,061	922,061
Total current assets		<u>5,025,295</u>	<u>2,823,754</u>	<u>2,823,754</u>
Non-current assets				
Property, plant and equipment	9	107,214	153,137	153,137
Intangible assets	10	4,383,182	3,059,698	3,059,698
Deferred tax	17	-	92,750	92,750
Total non-current assets		<u>4,490,396</u>	<u>3,305,585</u>	<u>3,305,585</u>
Total assets		<u>9,515,691</u>	<u>6,129,339</u>	<u>6,129,339</u>
LIABILITIES				
Current liabilities				
Trade and other payables	11	256,590	280,869	280,869
Interest-bearing loans and borrowings	12	-	300,000	300,000
Employee benefits	13	296,816	314,623	314,623
Other Current Liabilities	14	281,698	363,559	363,559
Total current liabilities		<u>835,104</u>	<u>1,259,051</u>	<u>1,259,051</u>
Non-current liabilities				
Employee benefits	15	19,049	38,049	38,049
Provisions	16	72,780	72,780	72,780
Total non-current liabilities		<u>91,829</u>	<u>110,829</u>	<u>110,829</u>
Total liabilities		<u>926,933</u>	<u>1,369,880</u>	<u>1,369,880</u>
NET ASSETS		<u>8,588,758</u>	<u>4,759,459</u>	<u>4,759,459</u>
EQUITY				
Issued capital	18	13,701,686	6,767,689	6,767,689
Reserves	19	1,613,150	786,331	731,746
Retained profits (accumulated losses)	20	(6,726,078)	(2,794,561)	(2,739,976)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF ARCHTIS LIMITED		<u>8,588,758</u>	<u>4,759,459</u>	<u>4,759,459</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Note	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2018		6,767,689	786,331	(2,794,561)	4,759,459
Total Comprehensive Income	20	-	-	(3,931,517)	(3,931,517)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital	18	8,000,000	-	-	8,000,000
Option fees	18	500			500
Capital raise fees	18	(1,066,503)	-	-	(1,066,503)
Foreign exchange reserve	19		1,258		1,258
Share-based payments	19	-	825,561	-	825,561
Balance at 30 June 2019		13,701,686	1,613,150	(6,726,078)	8,588,758
Balance at 1 July 2017		1,234,003	317,774	(648,510)	903,267
Total Comprehensive Income		-	-	(2,091,466)	(2,091,466)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital		6,232,515	-	-	6,232,515
Capital raise fees		(698,829)	-	-	(698,829)
Share-based payments		-	413,972	-	413,972
Balance at 30 June 2018	10,11	6,767,689	731,746	(2,739,976)	4,759,459
<i>Adjustment for accounting error</i>					
Share-based payments	19	-	54,585	(54,585)	-
Balance at 30 June 2018 (restated)		6,767,689	786,331	(2,794,561)	4,759,459

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOW

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,072,619	819,938
Payments to suppliers and employees (inclusive of GST)		(7,749,491)	(5,232,107)
Receipts from R&D Tax Incentive		1,087,420	793,231
Interest received		45,187	8,293
Interest paid		(4,590)	(30,219)
Net cash provided by (used in) operating activities	29	<u>(5,548,855)</u>	<u>(3,640,864)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		24,412	(43,539)
Net cash provided by (used in) investing activities		<u>24,412</u>	<u>(43,539)</u>
Cash flows from financing activities			
Proceeds from issue of shares		7,383,497	5,533,686
Settlements of secured bank loans	12	(300,000)	-
Net cash provided by (used in) financing activities		<u>7,083,497</u>	<u>5,533,686</u>
Net increase (decrease) in cash held		1,559,054	1,849,283
Cash and cash equivalents at beginning of period		1,696,146	(153,137)
Cash and cash equivalents at end of period	6	<u>3,255,200</u>	<u>1,696,146</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Going concern

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

The consolidated group incurred a loss after tax of \$3,931,517 (2018 \$2,091,466) and had net operating cash outflows of \$5,548,855 (2018: \$3,640,864). The entity has prepared a cash flow forecast which indicates that the entity does not have sufficient cash to meet its minimum expenditure commitments and support its current level of corporate overheads.

The above gives rise to the existence of a material uncertainty that casts significant doubt on the ability of the group to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.

The Directors believe there are reasonable grounds that the business will continue as a going concern after taking into account the following factors:

- the forecast of future sales based on the commercial launch of kojensi in April 2019, its acceptance by several proof of concept partners and outlook demand forecasting;
- identification of overhead cost reductions and improving personnel utilisation; and
- if necessary, the Company will consider additional capital raising activities through the issue of new share capital

Accordingly, the Directors believe that the group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the group does not continue as a going concern.

(b) New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities

designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. There was no impact to the financial statements.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

There was no impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

(b) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(c) Parent company information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of archTIS Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. archTIS Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(e) Foreign currency translation

The financial statements are presented in Australian dollars, which is archTIS Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss at disposition of the foreign operation or net investment.

(f) Revenue recognition

The Group earns revenues from consulting services, the sale of solution services and software for secure information sharing and inter-organisational collaboration. It recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

(f) Revenue recognition (cont)

transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services

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

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they

relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

archTIS Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

(h) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when:

- it is either expected to be settled in the Group's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

(h) Current and non-current classification (cont)

Deferred tax assets and liabilities are always classified as non-current.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(k) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concession due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

(l) Property, plant and equipment

Each class of plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

<u>Leasehold Improv.</u>	<u>Term of lease</u>
Office furniture & equipment	2-4 years
Computer Equipment	2-4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

(m) Leases (cont)

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(n) Intangible assets

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a systematic basis matched to

the future economic benefits over the useful life of the project.

Research and development tax incentive

The Research and Development Tax Incentive (RDTI) is a 43.5% refundable tax offset that is calculated as 43.5% of the eligible research and development expenditure that has been incurred by the Group. The Directors consider any payment arising from the RDTI to be a form of government assistance and are of the view that it is appropriate to recognise RDTI receipts as Government Grants in accordance with AASB120 Accounting for Government Grants and Disclosure of Government Assistance.

As such, RTDI refunds are recognised when there is a sufficient degree of certainty that the Group will comply with the conditions attaching to RDTI and that the payment will be received. Such refunds are recognised in the Statement of profit and loss and other comprehensive income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the assistance is intended to compensate. The proportion of the refund that relates to capitalised development is deducted against the carrying amount of the related non-current assets. Any remaining proportion that cannot be recognised on either of the preceding bases is recognised in the Statement of profit and loss and other comprehensive income as "Income from research and development claim".

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

(o) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the

amount by which the asset's carrying amount exceeds its recoverable amount.

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

(p) Trade and other payables

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

(q) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(r) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(s) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

the passage of time is recognised as a finance cost.

(t) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave that is not expected to be settled within 12 months of the reporting date, are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Other long-term employee benefits

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Binomial option pricing model, taking into consideration the terms and conditions on which the award was granted.

The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is

the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

(u) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(v) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

(x) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of archTIS Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(z) New Accounting Standards and Interpretations not yet mandatory or early adopted

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 1. Significant Accounting Policies

(z) New Accounting Standards and Interpretations not yet mandatory or early adopted (cont)

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. The directors expect that the adoption will result in lease assets and liabilities being recognised on the balance sheet and there will be change in how related expenses are incurred. The estimated financial impact is:

Total Assets increased by \$281,230

Total Liabilities increased by \$235,585

Net Assets reduced by \$ 17,355

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 2. Critical Accounting Judgements, Assessments and Estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. 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. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Finite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether finite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome 3

of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, 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 future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 3. Revenue

	Consolidated	
	2019	2018
	\$	\$
<i>(a) Revenue from contracts with customers</i>		
Product Licence and Implementation Revenue	606,613	9,123
Product Maintenance	4,440	-
Consulting	411,157	564,703
	1,022,210	573,826
<i>(b) Other Revenue</i>		
Government Grants	279,746	208,571
Interest Income	78,774	8,293
Other Income	12,152	11,032
	370,672	227,896

Product Licence and Implementation Revenue

Product Licence and Implementation Revenue includes revenue from archTIS solutions developed, customised and maintained for customers. For the year ended 30 June 2019, this includes development versions of Kojensi, and Kojensi Field delivered to Australian and international government departments.

Consulting

Consulting Revenue includes archTIS services relating to IT engineering, systems integration and security consulting.

Note 4. Expenses

	2019	Consolidated 2018 Restated	2018 Previously Reported
	\$	\$	\$
<i>(a) Employee Benefits</i>			
Share Based Payments	375,561	480,537	108,178
Superannuation expenses	242,418	212,584	212,584
Other Employee Benefits	2,529,972	2,341,676	2,341,676
less : capitalised to software development	(1,353,827)	(1,142,028)	(1,142,028)
	1,794,124	1,892,769	1,520,410
<i>(b) Depreciation and Amortisation Expense</i>			
Depreciation - property, plant and equipment	67,525	60,915	60,915
Amortisation - intangibles	115,819	-	-
	183,344	60,915	60,915
<i>(c) Written down Intangible Expense</i>			
Intangible expense written down	783,905	-	-
	783,905	-	-
<i>(d) Operating Lease Expense</i>			
Rental expenses on operating leases	276,768	143,868	143,868
	276,768	143,868	143,868

Correction of prior period error

Correction of prior period error for the year ended 30 June 2018 for :

- share-based payment of \$372,359 were not recognised in relation to ACTU02 options vested during the financial year. These options relate to employee benefits. This misstatement represents a prior period accounting error which must be accounted for retrospectively due to its materiality. Consequently, the Group has adjusted all comparative amounts presented in the current period financial statements affected by the accounting error, and
- a reversal (\$317,774) of the Mandalay options brought forward from 2016 that were cancelled at the same time ACTU02 options were issued. These options are not related to employee benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 5. Income Tax Expense

		2019	Consolidated 2018 Restated	2018 Previously Reported
	Note	\$	\$	\$
Income tax expense				
Deferred tax		(821,832)	(371,224)	(371,224)
Deferred tax not recognised		821,832	362,100	362,100
Deferred tax derecognised		92,751		
Deferred tax on tax losses not recognised		0	(175)	(175)
Income tax expense / (income)	17	92,751	(9,299)	(9,299)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>				
Profit before income tax		(3,838,766)		(2,100,765)
Tax at the statutory rate of 27.5%		(1,055,660)		(577,710)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment expenses		2,035	1,504	1,504
Sundry Items		2,200	-	-
Share-based payments		103,279	44,761	29,749
Research & Development Expenditure		203,244	232,590	232,590
Income from Research & Development Claim		(76,930)	(57,357)	(57,357)
Sub-total		233,828	221,498	568,586
Current year deferred tax not recognised		821,832	362,100	362,100
Deferred tax asset derecognised		92,751		
Adjustment recognised for prior periods		-	(175)	(175)
		914,583	361,925	361,925
Income tax expense		92,751	(9,299)	(9,299)

A net deferred tax asset of \$1,961,280 (\$1,539,864 relating to tax losses) has not been recognised on the basis it is not probable that taxable profit will be available against which the temporary differences may be utilised while the company is claiming the refundable research and development tax offset.

Note 6 Current Assets – Cash and Cash Equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash and cash equivalents		
Cash on hand	250	-
Cash at bank	2,054,950	1,638,668
Cash on deposit	1,200,000	57,478
	3,255,200	1,696,146

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 6 Current Assets – Cash and Cash Equivalents (cont)

Reconciliation to cash and cash equivalents at the end of the financial year

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

Balances as above	3,255,200	1,696,146
Balance as per statement of cash flows	<u>3,255,200</u>	<u>1,696,146</u>

Note 7. Current Assets – Trade and Other Receivables

	Consolidated	
	2019	2018
	\$	\$
Trade Receivables	135,551	42,659
Less : Bad debt provision	(41,080)	-
	<u>94,471</u>	<u>42,659</u>
Other Receivables	4,097	5,639
GST Receivable	29,680	40,856
Interest Receivable	33,587	-
	<u>161,835</u>	<u>89,154</u>

Allowance for expected credit losses

The Group has made no allowance for expected credit losses for the current financial year (2018 : nil).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows :

	Carrying Amount 2019 \$	Provision for Bad Debts 2019 \$
Not overdue	88,018	-
0 - 3 months overdue	-	-
3 - 6 months overdue	-	-
Over 6 months overdue	47,533	(41,080)
	<u>135,551</u>	<u>(41,080)</u>

Note 8. Current Assets – other

	Consolidated	
	2019	2018
	\$	\$
Security Deposit	58,800	-
Prepayments	54,635	109,315
Accrued Income	-	7,078
	<u>113,435</u>	<u>116,393</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 9. Non-current Assets – Property, Plant and Equipment

	Consolidated	
	2019 \$	2018 \$
Leasehold improvements - at cost	72,779	72,779
Less : Accumulated Depreciation	(51,546)	(39,413)
	21,233	33,366
Office equipment - at cost	117,383	112,542
Less : Accumulated Depreciation	(86,139)	(66,278)
	31,244	46,264
Computer equipment - at cost	258,916	243,214
Less : Accumulated Depreciation	(204,179)	(169,707)
	54,737	73,507
	107,214	153,137

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous year are set out below :

	Leasehold Improvements \$	Office equipment \$	Computer equipment \$	Total \$
Balance at 1 July 2017	45,495	53,191	71,827	170,513
Additions	-	10,119	33,420	43,539
Disposals - written down value	-	-	-	-
Depreciation expense	(12,130)	(17,045)	(31,740)	(60,915)
	33,365	46,265	73,507	153,137
Balance at 30 June 2018	33,365	46,265	73,507	153,137
Additions	-	4,840	19,572	24,412
Disposals - written down value	-	-	(3,870)	(3,870)
Depreciation expense	(12,132)	(19,861)	(34,472)	(66,465)
	21,233	31,244	54,737	107,214
Balance at 30 June 2019	21,233	31,244	54,737	107,214

Note 10. Non-current Assets – Intangibles

The proportion of product design and development expenses, less any tax incentive applicable, that create a benefit in future years, and meet certain requirements are capitalised as an intangible asset. These capitalised costs (intangibles) are then amortised to the Profit and Loss Statement over the estimated life of the asset created. The carrying value of intangibles is reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

The main intangible assets recognised during the financial period were technology/ in-process development, and internally generated computer software.

Internally-generated software development

Internally-generated software development costs qualify for capitalisation when the Group can demonstrate all of the following:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 10. Non-current Assets – Intangibles (cont)

Internally-generated software development costs have a finite useful life and are amortised on a straight-line basis over its estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The software development asset has a useful life of five years and is amortised on a straight-line basis commencing from the time the asset is held ready for use. The internally developed software asset, Kojensi.gov, was commercialised and launched in April 2019. Accordingly, this asset is amortised from this date.

Costs which are incurred after the general release of internally-generated software or costs which are incurred in order to enhance existing products are expensed in the period in which they are incurred and included within research and development expense in the financial statements.

Technology/ In-process Research and Development

Research and development expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. The Group assesses the eligibility of development costs for capitalisation on a project-by-project basis.

Development costs capitalised are assessed annually for impairment. Costs capitalised to a project that is unlikely to deliver future economic benefits are recognised as an expense at the date of impairment.

	Internally Generated Software \$	Consolidated Development In Progress \$	Total \$
2019			
<i>Cost</i>			
Balance at 1 July 2018	-	3,059,698	3,059,698
Commercialisation of development to software	3,202,566	(3,202,566)	-
Additions		2,223,208	2,223,208
Written down	-	(783,905)	(783,905)
Balance at 30 June 2019	<u>3,202,566</u>	<u>1,296,435</u>	<u>4,499,000</u>
<i>Accumulated amortisation</i>			
Balance at 1 July 2018	-	-	-
Amortisation	(115,819)	-	(115,819)
Impairments	-	-	-
Balance at 30 June 2019	<u>(115,819)</u>	<u>-</u>	<u>(115,819)</u>
Net book value at 30 June 2019	3,086,747	1,296,435	4,383,182

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 10. Non-current Assets – Intangibles (cont)

	Internally Generated Software	Consolidated Development	Total
	\$	\$	\$
2018			
<i>Cost</i>			
Balance at 1 July 2017	-	1,698,383	1,698,383
Additions	-	2,086,604	2,086,604
Written down	-	(725,289)	(725,289)
Balance at 30 June 20198	<u>-</u>	<u>3,059,698</u>	<u>3,059,698</u>
<i>Accumulated amortisation</i>			
Balance at 1 July 2017	-	-	-
Amortisation	-	-	-
Impairments	-	-	-
Balance at 30 June 2018	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 30 June 2018	-	3,059,698	3,059,698

The recoverable amount of the Group's Intangible Assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management. The key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the new products:

- 50% pre-tax discount rate
This discount rate reflects management's estimate of the time value of money and the entity's weighted average cost of capital adjusted for the product, the risk free rate and the volatility of the share price relative to market movements.
- Projected revenue growth rate based on expected customer acceptance of Kojensi Gov and associated ABAC (Attributed Based Access Control) software sales
Management believes the projected revenue growth rate is prudent and justified, based on its market analyses and evaluation.
- Increase in operating costs and overheads in line with projected revenue growth

Based on the above, no impairment charge has been applied as the discounted recoverable amount for the product exceeds the capitalised development.

Judgements and estimates in respect of the above impairment testing have been made. Should these judgements and estimates not occur the resulting capitalised development cost carrying amount may decrease. The sensitivities are as follows :

- Revenue would need to decrease by more than 5.4% for the internally generated software, and 20% for capitalised development projects before there would need to be impair either asset, with all other assumptions remaining constant;
- The discount rate would be required to increase to 55% for the internally generated software, and 61% for capitalised development projects before there would need to be impair either asset, with all other assumptions remaining constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 11. Current Liabilities – Trade and Other Payables

	Consolidated	
	2019	2018
	\$	\$
Trade Payables	192,744	172,777
Other Payables	63,846	108,092
	<u>256,590</u>	<u>280,869</u>

Note 12. Current Liabilities - Borrowings

	Consolidated	
	2019	2018
	\$	\$
Secured Bank Loan	-	300,000
	<u>-</u>	<u>300,000</u>

The Group has no bank overdraft or loan facilities as at 30 June 2019.

Note 13. Current Liabilities – Employee Benefits

	Consolidated	
	2019	2018
	\$	\$
Employee Benefits	296,816	314,623
	<u>296,816</u>	<u>314,623</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months :

	Consolidated	
	2019	2018
	\$	\$
Employee Benefits obligation expected to be settled after 12 months	100,669	88,466
	<u>100,669</u>	<u>88,466</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 14. Current Liabilities - Other

	Consolidated	
	2019	2018
	\$	\$
Accrued Expenses	281,698	363,559
	<u>281,698</u>	<u>363,559</u>

Note 15. Non-Current Liabilities – Employee Benefits

	Consolidated	
	2019	2018
	\$	\$
Employee Benefits	19,049	38,049
	<u>19,049</u>	<u>38,049</u>

Note 16. Non-Current Liabilities – Provisions

	Consolidated	
	2019	2018
	\$	\$
Lease Make Good	72,780	72,780
	<u>72,780</u>	<u>72,780</u>

Lease Make good

The provision represents the value of the estimated costs to make good the premises leased by the Group at the end of the lease term.

Note 17. Deferred Tax

	Consolidated	
	2019	2018
	\$	\$
<i>Assets</i>		
Current		
Provision for research and development tax incentive	1,494,825	922,061
Non-current		
Deferred tax asset	-	92,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 17. Deferred Tax (cont)

Deferred tax asset comprises temporary differences attributable to:

	Opening balance	Credited (charged) to profit or loss	Credited (charged) directly to equity	Changes in tax rates	Closing balance
	\$	\$	\$	\$	\$
2019					
Deferred tax asset on:					
Accrued Income & prepayments	(2,058)	2,058	-	-	-
Property, plant & equip.	(4,020)	4,020	-	-	-
Provisions	96,985	(96,985)	-	-	-
Costs of raising equity	(19,174)	19,174	-	-	-
Accrued expenditure	14,960	(14,960)	-	-	-
Lease incentives	6,058	(6,058)	-	-	-
Net amount	92,751	(92,751)	-	-	-
2018					
Deferred tax asset on:					
Accrued Income & prepayments	(6,663)	4,605	-	-	(2,058)
Property, plant & equip.	(1,148)	(2,872)	-	-	(4,020)
Provisions	54,386	42,599	-	-	96,985
Costs of raising equity	2,504	(21,678)	-	-	(19,174)
Accrued expenditure	20,234	(5,274)	-	-	14,960
Lease incentives	14,138	(8,080)	-	-	6,058
Net amount	83,451	9,300	-	-	92,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 18. Equity – Issued Capital

	Consolidated			
	2019 Shares	2018 Shares	2019 \$	2018 \$
Ordinary shares - fully paid	123,096,982	83,096,982	15,467,018	7,466,518
Ordinary shares - paid to \$0.00	-	720,000	-	-
Capital raise fees	-	-	(1,765,322)	(698,829)
	<u>123,096,982</u>	<u>83,816,982</u>	<u>13,701,686</u>	<u>6,767,689</u>
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	\$
Balance	1-Jul-17	10,214,651		1,234,003
Share split (3:1)		20,429,302		-
Issue of shares	Oct-17	12,254,904	\$0.08	1,000,000
Issue of shares	Nov-17	29,338,125	\$0.11	3,129,400
Issue of shares	Apr-18	12,060,000	\$0.17	2,010,000
Partly paid shares		-		85,692
Options called		-		7,423
Share forfeitures		(480,000)		-
Share issue transaction costs (net tax)		-		(698,829)
Balance	30-Jun-18	83,816,982		6,767,689
Issue of shares	Sep-18	40,000,000	\$0.20	8,000,000
Options called	Jul-18	-		500
Share forfeitures	Jul-18	(720,000)		-
Share issue transaction costs (net tax)	Sep-18	-		(1,066,503)
Balance	30-Jun-19	<u>123,096,982</u>		<u>13,701,686</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives are to prudently manage capital so as to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 19. Equity – Reserves

	2019	Consolidated 2018 Restated	2018 Previously Reported
	\$	\$	\$
Foreign Currency Reserve	1,258	-	-
Share Based Payments Reserve	1,611,892	786,331	731,746
	<u>1,613,150</u>	<u>786,331</u>	<u>731,746</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share Based Payments Reserve

This reserve is used to recognise equity-settled share-based payments to certain suppliers, directors and employees. Under AASB 2, options granted are measured at fair value at the date of the grant, using a Binomial valuation. The valuation of each tranche of options granted is expensed on a straight line basis over the vesting period.

Movements in Reserves

Movements in each class of reserve during the current and previous financial year are set out below :

	Share Based Payments \$	Consolidated Foreign Currency \$	Total \$
Balance at 1 July 2017	317,774	-	317,774
Share based payments	413,972	-	413,972
Balance at 30 June 2018	731,746	-	731,746
Adjustment for ACTU02 Options	372,359	-	372,359
Adjustment for cancelled "Mandalay Options"	(317,774)	-	(317,774)
Total Adjustment	<u>54,585</u>	<u>-</u>	<u>54,585</u>
Balance at 30 June 2018 (restated)	786,331	-	786,331
Revaluation – gross		1,258	1,258
Share based payments			
ACTU03 – tranche 1 (fully vested 5 Sep 18)	450,000	-	450,000
ACTU02 – tranche 2 (fully vested 1 Feb 19)	133,985	-	133,985
ACTU02 – tranche 3 (vest 1 Feb 20)	113,576	-	113,576
ACTU06 – tranche 1 (fully vested 26 Jul 18)	128,000	-	128,000
Balance at 30 June 2019	<u>1,611,892</u>	<u>1,258</u>	<u>1,613,150</u>

Correction of prior period error

Correction of prior period error for the year ended 30 June 2018 for :

- share-based payment of \$372,359 were not recognised in relation to ACTU02 options vested during the financial year. This misstatement represents a prior period accounting error which must be accounted for retrospectively due to its materiality. Consequently, the Group has adjusted all comparative amounts presented in the current period financial statements affected by the accounting error, and
- a reversal (\$317,774) of the Mandalay options brought forward from 2016 that were cancelled at the same time ACTU02 options were issued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 20. Equity – Retained Profits

	2019	Consolidated 2018 Restated	2018 Previously Reported
	\$	\$	\$
Retained losses at the beginning of the financial year	(2,794,561)	(648,510)	(648,510)
Losses after income tax expense for the year	(3,931,517)	(2,146,051)	(2,091,466)
Retained losses at the end of the financial year	<u>(6,726,078)</u>	<u>(2,794,561)</u>	<u>(2,739,976)</u>

Note 21. Equity – Dividends

Dividends

No dividends were paid or declared during the year.

Franking Credits

	Consolidated 2019	2018
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 27.5%	15,549	15,549

Note 22. Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk, and credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

Market risk

Foreign exchange risk

The Group is not exposed to any significant foreign exchange risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any interest risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit. The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. There are no guarantees against any receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with customers to mitigate risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 22. Financial Instruments (cont.)

Credit risk (cont.)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Credit risk refers to the risk that the Group maintains sufficient liquid assets to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves.

Note 23. Key Management Personnel Disclosures

	2019	Consolidated 2018 Restated	2018 Previously Reported
	\$	\$	\$
Short-term employee benefits	1,853,767	1,123,219	1,123,219
Post-employment benefits	136,825	93,849	93,849
Long-term benefits	12,262	(24,370)	(24,370)
Share Based Payments	363,992	463,433	103,853
	<u>2,366,846</u>	<u>1,656,131</u>	<u>1,296,551</u>

Correction of prior period error

As per note 4 and 19, there has been a correction of a prior period error for the year ended 30 June 2018, where an additional \$359,580 share-based payments expense relating to key management personnel needs to be recognised in relation to ACTU02 options vested during the financial year. This misstatement represents a prior period accounting error which must be accounted for retrospectively due to its materiality. Consequently, the Group has adjusted all comparative amounts presented in the current period financial statements affected by the accounting error.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company, and its network firms:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services - RSM</i>		
Audit or review of the financial statements	<u>67,442</u>	<u>77,825</u>
<i>Other services - RSM</i>		
Independent Accountants Report	15,968	25,968
Research and Development Tax Grant	24,745	12,500
	40,713	38,468
	<u>108,155</u>	<u>116,292</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 25. Commitments

	Consolidated	
	2019	2018
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	190,599	184,258
One to five years	137,522	328,121
	328,121	512,379

Operating lease commitments includes contracted amounts for offices and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 26. Related Party Transactions

Parent Entity

archTIS Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Associates

There are no associates.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	\$	\$
<i>Payments for services from other related parties:</i>		
Payment for Corporate Advisor services from Jindalee Partners	71,347	-
Payment for Corporate Advisor services from CPS Global	962,500	-
<i>Transactions with subsidiaries:</i>		
Purchase of 100% of share capital of archTIS Solutions Pty Ltd	-	10
Purchase of 100% of share capital of archTIS Services Pty Ltd	-	10
Loan to archTIS Solutions Pty Ltd	2,000	-
Purchase of 100% of share capital of archTIS EU s.r.o	7,345	-
	1,043,192	20

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 27. Parent Entity Information

Set out below is the supplementary information about the parent entity.

	2019	Parent 2018 Restated	2018 Previously Reported
	\$	\$	\$
<i>Statement of profit or loss</i>			
Loss after income tax	(3,928,217)	(2,146,053)	(2,091,468)
<i>Statement of financial position</i>			
Total current assets	5,018,062	2,823,754	2,823,754
Total assets	9,515,692	6,129,339	6,129,339
Total current liabilities	835,105	1,259,051	1,259,051
Total liabilities	926,934	1,369,880	1,369,880
Net assets	8,592,058	4,759,458	4,759,458
Equity			
Issued capital	13,701,686	6,767,689	6,767,689
Reserves	1,613,150	786,331	731,746
Retained profits (accumulated losses)	(6,722,778)	(2,794,561)	(2,739,976)
Total equity	8,592,058	4,759,459	4,759,459

The parent entity and its subsidiaries are not party to any deeds of cross guarantee under which each company guarantees the debts of the others.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 28. Interest in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Country of Incorporation	Ownership Interest	
		2019 %	2018 %
archTIS Solutions Pty Limited	Australia	100%	100%
archTIS Services Pty Limited	Australia	100%	100%
archTIS EU s.r.o	Czech Republic	100%	na

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note 29. Reconciliation of profit after income tax expense to net cash from operating activities

	2019	Consolidated 2018 Restated	2018 Previously Reported
	\$	\$	\$
Loss after income tax expense for the year	(3,931,517)	(2,146,053)	(2,091,468)
<i>Adjustments for:</i>			
Depreciation and amortisation	183,344	60,915	60,915
Impairment of capitalised development	783,905	156,507	156,507
Share-based payments	375,560	468,557	413,972
Foreign exchange differences	1,258	-	-
<i>Change in operating assets and liabilities:</i>			
Increase in trade and other receivables	72,681	185,755	185,755
Decrease in accrued revenue	(7,078)	16,015	16,015
(Increase) decrease in prepayments	54,680	(76,054)	(76,054)
(Increase) decrease in other assets	(58,800)	-	-
(Increase) in development assets	(1,991,570)	(1,517,822)	(1,517,822)
Increase/(decrease) in trade and other payables	(24,279)	(637,665)	(637,665)
Increase (decrease) in income taxes payable	(520,733)	(303,489)	(303,489)
Increase / (decrease) in employee benefits	(36,807)	152,468	152,468
(Increase)/ decrease in other provisions	(449,500)	-	-
Net cash from operating activities	(5,548,855)	(3,640,864)	(3,640,864)

Correction of prior period error

As per note 4 and 19, there has been a correction of a prior period error for the year ended 30 June 2018.

Note 30. Earnings Per Share

	2019	Consolidated Restated	Previously Reported
	\$	2018 \$	2018 \$
Loss after income tax attributable to the owners	(3,931,517)	(2,146,051)	(2,091,468)
	Number	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	119,993,339	55,227,645	55,227,645
	Cents	Cents	Cents
Basic earnings per share	(3.28)	(3.89)	(3.79)

DIRECTORS' DECLARATION

30 JUNE 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



Stephen Smith

Chairman

30 September 2019

Canberra

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of archTIS Limited for the year ended 30 June 2019, 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.

RSM Australia Partners

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'Rodney Miller', with a horizontal line extending to the right.

RODNEY MILLER
Partner

Canberra, Australian Capital Territory
Dated: 30 September 2019

RSM Australia Partners

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
archTIS LIMITED**

Opinion

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

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (a) in the financial report, which indicates that the Company incurred a net loss after tax of \$3,931,517 during the year ended 30 June 2019 and, had net operating cash outflows of \$5,548,855. As stated in Note 1 (a), these events or conditions, along with other matters as set forth in Note 1 (a), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
<p>Accounting for intangible asset Refer to Note 10 in the financial statements</p>	
<p>At 30 June 2019 the Company has intangible assets with a carrying value of \$4,383,182, being capitalised development costs in respect to software.</p> <p>We focused on this area due to the size of the intangible asset balance and the risk that the amounts capitalised do not meet the recognition and measurement criteria under AASB 138 <i>Intangible Assets</i>.</p> <p>In addition, there is a risk that the carrying value is impaired under AASB 136 <i>Impairment of Assets</i>. Management has performed an impairment assessment over the balance of intangible assets.</p> <p>For the year ended 30 June 2019 management have performed an impairment assessment over the goodwill balance by:</p> <ul style="list-style-type: none"> calculating the value in use using a forecast discounted cash flow model. These models used cash flows (revenues, expenses and payroll expenditure) for 5 years. These cash flows were then discounted to net present value using the Company's weighted average cost of capital (WACC); and comparing the resulting value in use to the book values. 	<p>Our audit procedures in relation to the capitalisation of intangibles assets included;</p> <ul style="list-style-type: none"> Assessing whether the Group's capitalisation policies were in compliance with AASB 138; Testing a sample of capitalised development costs to ensure they met the recognition and measurement criteria of AASB 138; Reviewing the reasonableness of management's assessment of expected future economic benefits that are attributable to the intangible assets; and Testing the completeness of the capitalised asset by reviewing expense nominal ledgers for costs not capitalised <p>Our audit procedures in relation to management's assessment of impairment included:</p> <ul style="list-style-type: none"> assessing the valuation methodology used in; challenging the reasonableness of key assumptions, including the cashflow projections, revenue growth rates, discount rates, and sensitivities used; and checking the mathematical accuracy of the cashflow models, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 23 of the directors' report for the year ended 30 June 2019.

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

Responsibilities

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

RSM Australia Partners

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "Rodney Miller", with a horizontal line extending to the right.

RODNEY MILLER
Partner

Canberra, Australian Capital Territory
Dated: 30 September 2019

SHAREHOLDER INFORMATION

30 JUNE 2019

The shareholder information set out below was applicable as at 18 September 2019.

On 21 September 2018, the company was admitted to the official list of the Australian Securities Exchange (ASX). For the period from listing to the 30 June 2019, the company used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

The company has no current on-market buy back.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

1 to 1,000	8
1,001 to 5,000	25
5,001 to 10,000	80
10,001 to 100,000	224
100,001 and over	139
	476
 Holding less than a marketable parcel	 18

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
The Trust Company (Australia) Limited	15,090,641	12.26%
HSBC Custody Nominees (Australia) Limited	12,457,107	10.12%
Mr Bruce Talbot	7,286,436	5.92%
Mr Daniel Chun Leung Lai	7,284,252	5.92%
Possum Hill Pty Ltd	7,284,252	5.92%
Redhill Holdings Ltd	2,787,129	2.26%
7Sundays Pty Ltd	2,500,000	2.03%
Bond Street Custodians Limited	2,200,000	1.79%
Ajava Holdings Pty Ltd	1,950,000	1.58%
Goldjazz Pty Ltd	1,875,000	1.52%
Cityscape Asset Pty Ltd	1,757,929	1.43%
Mr David Graham Wood	1,500,000	1.22%
Invia Custodian Pty Limited	1,437,500	1.17%
Conleroy Pty Ltd	1,400,000	1.14%
Celtic Capital Pty Ltd	1,391,569	1.13%
Egmont Pty Ltd	1,250,000	1.02%
Mr Amit Gupta	1,060,000	0.86%
Mr Ottmar Weiss	1,059,359	0.86%
Myube Investments Pty Ltd	1,050,078	0.85%
Mr Leo David Barry	1,000,000	0.81%
Top 20 Holders of Ordinary Shares	73,621,252	59.81%
Total Remaining Holders Balance	49,475,730	40.19%

Of the above ordinary shares, 25,482,151 shares are escrowed until 21 September 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Unquoted Options

	Ordinary shares	
	Number On issue	Number of holders
Expiring 10 Oct 2022 exercisable at \$0.10 escrowed until 21 Sep 2020	4,289,880	3
Expiring 01 Feb 2021 exercisable at \$0.12 escrowed until 21 Sep 2020	7,200,000	7
Expiring 01 Jul 2023 exercisable at \$0.20 escrowed until 21 Sep 2020	1,200,000	2
Expiring 05 Sep 2022 exercisable at \$0.24 escrowed until 21 Sep 2020	5,000,000	14
Expiring 01 Feb 2021 exercisable at \$0.12	300,000	1
Expiring 05 Jul 2021 exercisable at \$0.20	1,600,000	2
Totals	19,589,880	29

Substantial Holders

The substantial holders in the Company are listed below:

	Ordinary shares	
	Number held	% of total shares issued
The Trust Company (Australia) Limited	15,090,641	12.26%
HSBC Custody Nominees (Australia) Limited	12,457,107	10.12%
Mr Bruce Talbot	7,286,436	5.92%
Mr Daniel Chun Leung Lai	7,284,252	5.92%
Possum Hill Pty Ltd	7,284,252	5.92%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.



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