SenSen Networks Limited

And Controlled Entities

ABN 67 121 257 412

Annual Report

for the year ended

30 June 2019

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Corporate Information

SenSen Networks Limited

ACN 121257412

Directors

Mr Subhash Challa, Executive Chairman
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director
Mr Jason Ko, Non-Executive Director
Ms Heather Scheibenstock, Non-Executive Director (appointed 7 September 2018)

Company Secretary

Mr David Smith

Chief Financial Officer

Mr Tony Lynch

Registered Office and Principal Place of Business

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

Telephone: +61 3 9417 5368

Share Register

Computershare Investor Services Pty Limited
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Sydney NSW 2000

Australia:	1300 850 505
Overseas callers:	+61 3 9415 4000
Facsimile:	+61 3 9473 2500
Internet:	www.computershare.com.au

Stock Exchange Listing

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

Solicitors

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

Auditors

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

Bankers

Commonwealth Bank of Australia
727 Collins Street
Melbourne VIC 3000

Website

www.sensennetworks.com

Chairman's Letter

Dear Fellow Shareholder,

Welcome to the 2019 Annual Report for SenSen Networks Limited (ASX: SNS), reflecting on our Company's first full financial year listed on the Australian Securities Exchange. After making strategic investments to establish a solid foundation in the prior 12 months, this year saw us expand internationally, diversify revenue streams and commercialise new product lines while maintaining revenue momentum.

Significant investments were made into:

- People – We acquired key sales and marketing talent within both industry verticals, Smart Cities and Retail & Leisure. A new IT security manager was also hired to achieve best-practice global compliance in this exacting field where we have become a leader.
- Global marketing and sales – We were present at 12 international industry conferences and expos, averaging one per month, to demonstrate and promote SenSen technology and products.
- Patents – We filed international patents in both market verticals to enhance our IP vault.
- New sales and distribution channels – We recruited six new distribution channels within the Smart Cities vertical and three new distribution channels within the Retail & Leisure vertical.
- Security – Against the backdrop of increasing security risks worldwide, we invested significantly into building a robust IT and R&D framework that is best of breed. It's our way of future proofing the company - systems and processes that meet rigorous SOC2 compliance standards that are increasingly demanded by government and enterprise customers.
- New Products - New product lines were introduced in the Smart City vertical:
    - Gemineye: The world's first AI-powered smartphone app invented by SenSen offers governments, councils and cities around the world an affordable, highly accurate, cloud-based Smart City platform in the palm of their hands. Gemineye represents a strongly scalable revenue stream which is entirely complementary to our existing business divisions.

    - AI-FARM: An artificial intelligence-based False Alarm Reduction and Management solution can be applied wherever video analytic systems generate an overwhelming number of responses (which is often). Brisbane City Council was the first to jump on board using AI-FARM to make sense of many thousands of false captures made by its fleet of illegal dumping detection cameras. On the back of successfully completed POCs for international customers to filter out false alarms generated by incident detection cameras; we expect to see additional revenue stream from this solution.

    - Automated Privacy Masking: To protect personal privacy in images and video streams, customers asked us whether it is possible to mask faces and irrelevant license plates. In response, our R&D team developed an Automated Privacy Masking add-on to enforcement solutions which we launched this year, completing several POCs and signing up Calgary Parking Authority (Canada) as the first customer. We are now taking enquiries from enforcement agencies worldwide.

The following product developments were introduced to the SenGAME suite of products in the Retail & Leisure vertical:

- Card Recognition: Recognising cards is essential to track games and analyse outcomes. By applying advances in deep learning-based AI, this year we developed software to accurately read cards in highly uncontrolled and dynamically changing live environments.

- Cash Recognition: Recognising cash is essential to track and send alerts for potential money laundering. By applying advances in deep learning-based AI, our software is now able to accurately read currency denominations around the table in highly variable live environments.

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Chairman's Letter

We are delighted to report continued and growing support from existing customers, not just in Australia but in key international markets as well. Brisbane, Calgary and Singapore all placed new orders during the year. A partnership with Australian distribution channel Duncan Solutions is paying off with new city council customers at Cairns and Gold Coast.

We opened a potentially significant market segment of tolling by undertaking successful trials of our new video tolling solution with Transurban Group on the CityLink toll road system in Melbourne, which we are gearing up to replicate on a Transurban toll road in Montreal, Canada.

Our Retail & Leisure vertical, driven by our casino gaming solution, has vast potential and our efforts to grow awareness and build a recognisable brand continue to stimulate new demand. PoCs and trials are demonstrating the potential of this business division. With an addressable market of more than 50,000 gaming tables across 1,300 casinos globally, SenSen is aiming to deploy our real-time game and player analytics to 10,000 gaming tables within the next three years, generating monthly high-margin Software as a Service ("SaaS") revenue.

Our achievements have been noticed. We fielded a number of requests – and selected the most influential opportunities – to be keynote speaker or join industry panels at events influencing the future direction of both Smart City and Retail & Leisure industry verticals.

Most pleasingly, in line with our strategic objectives recurring revenue grew more than 150% during the year to reach ~A$1.5 million. Coupled with the pipeline of new clients and our R&D achievements, we ended the year even more focused on growing further into a global technology leader.

We have a clear vision of what we want to achieve for the future of SenSen Networks, and I look forward to leading our Company as it executes on this strategy in FY20.

I would like to thank SenSen's shareholders who continue to support and believe in our Company. I also thank my fellow Board members for their contributions during the year, and our staff and management for the efforts they delivered in FY19.

I hope you will continue to share this journey with us.

Subhash Challa
Executive Chairman and CEO

Review of Operations and Activities

To be read in conjunction with the attached Financial Report.

Strategically, the Group pursued an aggressive growth strategy to expand internationally, diversify revenue streams and commercialise new product lines while maintaining revenue momentum.

Financially, the result was solid. The Group achieved a revenue result of $3.73 million for financial year 2019. While marginally down by ~8% on the 2018 full-year result of $4.05 million, this is due to longer-than-expected timelines for the awarding of new government and Council contracts that will be recognised in the next period.

The majority of revenue this year came from the Smart Cities sector where the Group deals with very large government and private sector institutions. As such, the timing of contracts and revenue can be delayed due to the comprehensive due diligence and operational process required to transact with these types of clients.

The Group's net loss after tax was $5,277,798 (2018: Loss of $9,220,416). The loss for the year included an income tax charge of $136,528 (2018: income tax benefit of $66,892) and a non-cash share-based payment expense of $1,287,967(2018: $2,019,099).

The Loss for the year is down on the 2018 result due to large on-off items in 2018 related to the reverse takeover and listing of the Company in October 2017. Operational expenditure increased in line with the growth plans outlined below.

The Group has undertaken significant business development and marketing activities during the year and, as a result has a strong pipeline of prospects across both the Smart Cities and Retail & Leisure sectors.

The Group also continued to grow its operational infrastructure with a number of key hires during the year including new representatives in Asia and the US. The group now has over 80 employees and contractors across multiple locations in Australia, India, Singapore and the US.

Intelligent Transport Systems and Smart Cities

In November 2018, SenSen signed two new parking agreements with the Calgary Parking Authority (CPA) for Licence Plate Recognition (LPR) at car park entrances and exits at the Alberta Trading Bank and the YMCA in Calgary, Canada. These were the Company's first non-Government contracts won as a result of the partnership between SenSen and the CPA formed in September 2017 and expanded in March 2018.

In addition, SenSen continued to participate in numerous Proof of Concept (POC) trials and tender processes in jurisdictions around the world, both directly and through its channel partners such as the CPA.

In April 2019, SenSen announced it had secured a deal to supply its fully automated parking enforcement solution to Cairns Regional Council, in conjunction with its distribution partner Duncan Solutions, an Australian-owned company providing smart integrated parking solutions. Commencing in early June 2019, the contract with Cairns Regional Council covers the Council's purchase of a SenFORCE mobile parking enforcement unit with upfront revenue for the systems, software and commissioning, and fees for the year one software licence and maintenance services.

In June 2019, SenSen announced it had secured a deal to supply an automated parking enforcement solution to the City of Gold Coast, Queensland, again in conjunction with its distribution partner Duncan Solutions. SenSen's contract with the City of Gold Coast included the City's purchase of an initial two SenFORCE mobile parking enforcement units, with upfront revenue for the systems, software and commissioning of the units, with the contract term commencing in June. SenSen will earn annual recurring revenues and fees for the software licence, maintenance and support services, under the three-year term of the contract.

City of Gold Coast parking inspectors are using SenFORCE across the municipality to improve safety in school zones as well as parking space availability and congestion.

SenSen also received orders to supply two additional fully automated parking enforcement units to Brisbane City Council ("BCC") under its existing "Suburban Safety Mobile Technology Solution" (SSMT) contract with BCC. SenSen supplied the additional services to BCC, including two SenFORCE units, and will earn upfront revenue for the systems, software and commissioning of the units as well as annual recurring revenues under the contract. This expands SenSen's existing multi-year contract with BCC, Australia's largest council, to provide a range of solutions relating to suburban safety mobile technology.

SenSen successfully completed a six-month trial of a new video tolling solution on Melbourne's CityLink toll road (which is operated by the Transurban Group) and is engaged in further trials of this technology on Transurban's toll road in Montreal, Canada, to evaluate applicability in global and more challenging settings.

Post year-end, SenSen announced it had received a new order to supply software maintenance services for an additional 78 cameras monitoring illegal parking activities in Singapore's CBD. SenSen already provides software maintenance services for 258 cameras in the Singapore CBD to ATT Systems Group ("ATT") and the additional order brings the total number of cameras under software maintenance to 336.

ATT, a long-term channel partner for SenSen in Singapore, is a regional systems integrator which provides a one-stop solution service that delivers intelligent customised systems for government and commercial clients. The additional services are to be supplied by SenSen for an initial period of six months, commencing 1 October 2019. SenSen will earn additional monthly Software as a Service revenue under the maintenance contract.

Launch of Gemineye

In March, SenSen announced the launch of the world's first AI-powered smartphone app Gemineye, which offers governments, councils and cities worldwide an affordable, highly accurate, cloud-based smart city platform in the palm of their hands.

Gemineye is designed to power the future of Smart Cities by making operations related to civic compliance, asset management, traffic data collection and analysis, security and surveillance more affordable, accessible and versatile. The app does so by utilising its proprietary AI-powered process automation software, which can pull information from video and sensors within the smartphone to turn labour-intensive Smart City operations into automated processes.

SenSen released an introductory video showing Gemineye in action. The video is available to view at www.sensennetworks.com/Gemineye

The two core services (parking enforcement, real-time illegal dumping detection) are just the start for Gemineye.

Early trials with Gemineye by one of the largest city councils in Australia saw more than 1,000 illegal dumping incidents occur in just one location over a six-month period. Using Gemineye, the council was able to determine when items are most likely to be dumped in terms of which day and month, and what time of day. Armed with such information, local government authorities can adjust monitoring times, staffing levels and collection rates.

In April, SenSen announced it had commenced trials in Thailand as part of a Distribution Agreement with Thailand Smart City and environmental services company EVF (Thailand) Co., Ltd. ("EVF"). SenSen and EVF are collaborating initially on two separate Gemineye trials for the Bangkok Metropolitan Administration and the Royal Thailand Police. The Distribution Agreement allows for EVF to implement SenSen's software in its clients' operations throughout Thailand and SenSen will earn a combination of up-front system sales, software licensing and commissioning, as well as recurring SaaS revenue and maintenance fees.

Review of Operations and Activities

As in many Asian cities, driving and parking congestion is a major problem for Bangkok, which is reportedly the worst city for traffic congestion in South East Asia. The two initial trials in Bangkok used Gemineye to analyse Thai motor vehicle and motorcycle licence plates to detect illegal driving on footpaths and enforce regulation to minimise accidents and fatalities. Commercial rollout of these use cases is expected in FY20.

At year end, SenSen had a pipeline of more than 40 qualified opportunities across the world interested in trialling the technology. Ongoing Gemineye technical development work has enhanced the app's functionality. Additionally, several third-party integrations have been completed, driven by client demand.

Smart Cities conferences and events

In September 2018, SenSen won the "Best in Show" award for an impressive conference display at the Canadian Parking Association Conference and Trade Show in Toronto. The Conference featured Artificial Intelligence (AI) and machine learning as a key theme in the future of parking, and SenSen's leadership in this area generated several highly prospective opportunities for the Company, including in Toronto, Canada's largest city, where multiple projects are currently being considered by the government authority.

The SenSen ITS team also attended the US National Parking Association Convention & Expo in late October, held in Las Vegas, Nevada, and met with potential system integrator partners whose customers include universities, airports and municipal governments across the US.

In early November 2018, SenSen showcased its parking software solutions at the PACE 2018 Parking Australia Conference at the Gold Coast, Queensland. This generated trials of SenSen's parking operations technology by 13 municipal and business organisations.

SenSen also attended the Gulf Traffic 2018 Conference in Dubai in early December 2018. Gulf Traffic is the UAE's largest traffic and transport technology exhibition. SenSen met with government representatives and businesses attending from many of the Emirates at the Conference. Interest generated at the conference led to various trials covering parking guidance and enforcement solutions within the region targeting customers in Dubai, Sharjah, Abu Dhabi and Saudi Arabia.

The Company also participated at the Parking Industry Expo in Chicago in March 2019. This annual US conference is attended by over 1,000 delegates and addresses the parking needs and provides solutions for municipalities, university and hospital campus parking, shopping and business development, and commercial parking operations.

Retail and Leisure

In September 2018, SenSen executed a Distribution Agreement to market SenSen's Gaming software solution to Cammegh's customer base. The agreement envisaged initially rolling out SenSen's Gaming solution in a prestigious United Kingdom casino operation, ahead of a broader marketing and sales distribution agreement.

For casino owners and managers, SenSen allows them to accurately know table occupancy, hands dealt per hour, bet types and bet values across an entire gaming floor.

In October 2018, SenSen announced it had executed a Distribution Agreement with eConnect Global ("eConnect") to market SenSen's Gaming software solution to eConnect's customer base. The agreement envisaged rolling out SenSen's Gaming solution in an initial casino operation, ahead of a broader marketing and sales distribution agreement. Areas where SenSen can help include fraud detection and prevention, optimising operations and improving the guest experience in casinos. SenSen's agreement with eConnect incorporates a monthly payment model.

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Review of Operations and Activities

Building on the Distribution Agreement, in February SenSen executed a Value-Added Reseller Agreement ('VAR") with eConnect to market SenSen's SenGAME software solution to eConnect's customer base targeting North American and Asia Pacific casinos.

SenSen also commenced project implementation work for SenGAME deployments in one of Macau's leading casino groups in April.

SenSen attended the 2018 Global Gaming Expo (G2E) in Las Vegas in September, where delegates experienced SenSen's Gaming solution in operation firsthand. The Company was pleased to have SenSen's Gaming solution also showcased by several other booths, including Cammegh Limited, eConnect and NASDAQ-listed gaming industry leader Scientific Games. This has prompted many enquiries about SenSen's Gaming solution since G2E and has led to trials in casinos in the UK, Macau, Australia and the Philippines.

In late December 2018, SenSen commenced pre-POC trial activities for a casino in Canada and in the USA, aiming to attract its first direct customers in the North American market.

In April 2019, SenSen participated at G2E Asia in Macau, the world's largest B2B gathering of the Asian gaming-entertainment industry, which attracts the industry's top buyers and suppliers each year.

In addition to showcasing SenGAME 3.0's standard features including real-time table occupancy, hands dealt per hour, bet types and bet values across the gaming floor, the SenSen Gaming team also demonstrated unique new features being tested by SenSen. These include bet assignment to individual players, as well as real-time cash recognition and playing card recognition using AI and machine learning enhancements.

The Company's participation at G2E grew SenSen's customer opportunity pipeline from about 30 in early May to more than 70 opportunities by the beginning of FY20, including 15 in North America and 25 in Asia. To convert this pipeline, SenSen's Gaming team has been following up potential new customers to implement PoC trials as well as existing casino leads seeking more rapid deployments of the SenSen gaming solution.

In June 2019, SenSen announced it had received a report from Gaming Laboratories International LLC ("GLI"), after the gaming industry leader in testing and certification conducted an evaluation of the SenGAME 3.0 Business Intelligence System. The purpose of the evaluation was to attest that the system performs as indicated and that there is no impact on the statistical outcome of the game the system is installed upon. The GLI evaluation was performed at Adelaide Casino, Australia, and confirmed the accuracy of SenSen's gaming solution.

With an addressable market of more than 50,000 gaming tables across 1,300 casinos globally, SenSen is aiming to deploy its real-time game and player analytics to 10,000 gaming tables within the next three years, generating monthly high-margin SaaS revenue for the Company.

SenSen aims to boost SenGAME adoption through:

- Direct engagement with casino groups;
- Value-added resellers where SenGAME is embedded into reseller technology platforms; and
- Distributor arrangements.

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Review of Operations and Activities

Corporate

Board and Management Appointments

SenSen appointed Heather Scheibenstock, GAICD, as an independent non-executive director, in September 2018. Ms Scheibenstock has more than 25 years' experience within the gaming and hospitality industries specialising in strategic planning, business development, stakeholder engagement and offshore growth.

SenSen also made key executive appointments to lead sales and marketing, strategy and business development in SenSen's ITS business vertical, appointing Michael Doherty as Director, ITS Sales & Marketing, and Peter Wells as Director, ITS Strategy & Business Development.

In November, SenSen appointed Ainslie Stevens as Gaming Business Development Manager to drive marketing and business development in SenSen's Gaming business vertical.

Cost efficiencies

Due to longer than expected timelines for the awarding of new government and Council contracts following tender processes and trials, several anticipated positive financial outcomes for SenSen have shifted from FY19 to anticipated completion in FY20.

SenSen's Board undertook measures to responsibly manage the Company's operational efficiency by strategically reducing the monthly cost structure, and this resulted in savings from budget of more than A$100,000 per month from 1 March up until 30 June 2019. As part of this, the Board and Executive team agreed to 20% salary package reductions in the form of deferred remuneration until the end FY19, which will then be reimbursed by cash or equity at the Board's election.

With a large number of qualified new opportunities in the pipeline across its business verticals, SenSen holds a positive outlook regarding its capacity to rapidly grow its customer base. As every new contract adds to SenSen's recurrent revenue stream, the Company intends to deliver more value to customers as well as investors as its continual growth makes cities smarter and enterprises more efficient.

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Corporate Governance Statement

SenSen Networks Limited ("the Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) (CGPR) published by the ASX Corporate Governance Council.

The 2019 corporate governance statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the financial year ending 30 June 2019. The corporate governance statement was approved by the Board on 30 September 2019. A description of the group's current corporate governance practices is set out in the group's Corporate Governance statement which can be viewed at (www.sensenentworks.com).

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

Recommendation 1.1

A listed entity should disclose

(a) the respective roles and responsibilities of its Board and management; and

(b) those matters expressly reserved to the Board and those delegated to management.

Disclosure

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

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

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

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

Recommendation 1.2

A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Disclosure

Appropriate checks are undertaken prior to appointing a person as a Director and recommending that person for election. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

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

It is noted that Heather Scheibenstock was appointed as a new director on 7 September 2018. The appointment were approved by the Company's shareholders on 31 October 2018. As part of this approval process, all such material information was provided to Shareholders.

Recommendation 1.3

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

Disclosure

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

As part of her appointment process during the year, the Company has entered into a written agreement with Heather Scheibenstock setting out the terms of her appointment.

Recommendation 1.4

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

Disclosure

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

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

Corporate Governance Statement (continued)

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

David Smith remains the Company Secretary.

Recommendation 1.5

A listed entity should:

(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

(1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Disclosure and Departure

While the Company values diversity and recognises the benefits, it can bring to the organisation's ability to achieve its goals, no decision has been made by the Board at this time to formulate a diversity policy.

The Board has not yet established objectives in relation to gender diversity but is committed to a continuation of current employment practices where employees are selected on merit. The aim is to achieve greater gender diversity in director and senior executive positions as they become vacant and appropriately skilled candidates become available.

Recommendation 1.6

A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process

Disclosure and Departure

The Board currently has no formal procedure for evaluation of its Board, committee and Directors. The Board considers that it is functioning effectively given its composition and a formal procedure is not required at this stage. While no formal performance evaluation was undertaken during the reporting period, the Chairman continually monitors the performance of the Board.

Selection and re-appointment of Directors candidates for the Board are considered and selected by reference to a number of factors, which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake board duties and responsibilities. Directors are initially appointed by the full Board subject to election by shareholders at the following general meeting.

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

Corporate Governance Statement (continued)

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

Recommendation 1.7

A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of its senior executives; and
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure and Departure
The Company does not have a formal process for periodically evaluating the performance of its Senior Executives. However, the Chief Executive monitors the performance of senior executives.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

Recommendation 2.1

The Board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent Directors; and

(2) is chaired by an independent director and disclose

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Disclosure and Departure

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

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

Recommendation 2.2

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

Corporate Governance Statement (continued)

Disclosure and Departure

The Company currently does not have a Board "skills matrix". Given the size and scope of the Company's operations, and its exploration and development stage, the Board considers that it is appropriately structured, with a suitable mix of skills and expertise, relevant to the Company's current business. However, the Board is cognisant that, as the Company expands and develops its activities, the Board will be required to review and restructure its composition to meet the specific expertise and skill requirements to progress the Company to meet its objectives moving forward.

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

Recommendation 2.3

A listed entity should disclose:

(a) the names of the Directors considered by the Board to be independent Directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

(c) the length of service of each director.

Disclosure and Departure

As at 30 June 2019 the Board comprised two executive Directors including the Chairman and three non-executive directors, one of whom is independent as disclosed below.

Director	Reason for Non-Independent Classification
Subhash Challa	A substantial shareholder and engaged as Chief Executive Officer of the Company from 13/10/2017-present
David Smith	Executive director of the Company from 18/8/2011-present
Zenon Pasieczny	A substantial shareholder and a director of the Company from 13/10/2017-present
Jason Ko	Non-executive director of the Company from 13/10/2017-present
Heather Scheibenstock	Independent director of the Company from 7 September 2018 to present.

Corporate Governance Statement (continued)

Statement concerning availability of independent professional advice

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

The length of service of each Director is as follows:

Dates	Board Members	Independent/Non-Independent
18/8/2011-current	David Smith	Non-Independent
13/10/2017-current	Subash Challa	Non-Independent
13/10/2017-current	Jason Ko	Non-Independent
13/10/2017-current	Zenon Pasieczny	Non-Independent
07/09/2018-current	Heather Scheibenstock	Independent

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

Recommendation 2.4

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

Disclosure and Departure

As at 30 June 2019, only one member of the Board was an Independent Director.

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

Recommendation 2.5

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

Disclosure and Departure

The Executive Chairman and CEO of the Company, Subhash Challa, is not an Independent Director.

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

Recommendation 2.6

A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Corporate Governance Statement (continued)

Disclosure and Departure

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

PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

Recommendation 3.1

A listed entity should:

(a) have a code of conduct for its Directors, senior executives and employees; and

(b) disclose that code or a summary of it.

Disclosure and Departure

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

The Company does not yet have a formal Code of Conduct setting out its core values. However, the Company requires that each director and officer of the Company must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdiction in which the Company operates.

Contractors and others employed by the Company should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

The practices of the Board are aimed at promoting ethical and responsible decision making. The Board strives for good corporate governance and industry best practice. It specifically requires Directors and employees to:

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

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

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

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Corporate Governance Statement (continued)

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

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

Recommendation 4.1

The Board of a listed entity should:

(a) have an audit committee, which:

(1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors: and

(2) is chaired by an independent director, who is not the chair of the Board and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processing for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Disclosure and Departure

The Company is not fully compliant with this principle. The audit and risk committee has an independent chairperson, Heather Scheibenstock, two executive Directors, Subhash Challa and David Smith, and two non-executive directors, Zenon Pasieczny and Jason Ko. The Details of these Directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

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

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

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

The Audit & Risk Committee also reviews the effectiveness of administrative, operating and accounting controls.

Recommendation 4.2

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

Disclosure

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

Corporate Governance Statement (continued)

Recommendation 4.3
A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Disclosure
The Company makes sure that its external auditor, BDO, is invited to and attends its Annual General Meeting (AGM) each year and is available to answer questions that are relevant to the audit. At the Company's last AGM held on 31 October 2018, a Partner from BDO attended and was available to answer questions.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

Recommendation 5.1
A listed entity should:
(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
(b) disclose that policy or a summary of it.

Disclosure

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

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

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

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

Recommendation 6.1

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

Disclosure

The Company provides information about itself and its governance to investors via its website www.sensennetworks.com. The names and brief biographical information for each of the Company's Directors and senior executives can be found under the "Learn More" section of the website.

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

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

Corporate Governance Statement (continued)

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

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Disclosure

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

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Disclosure and Departure

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

Recommendation 6.4

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

Disclosure

Security holders can email or otherwise contact the Company by visiting the "Contact" section of the website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

Recommendation 7.1

The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Disclosure and Departure

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

Corporate Governance Statement (continued)

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

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

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

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

Recommendation 7.2

The Board or a committee of the Board should:
(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
(b) disclose, in relation to each reporting period, whether such a review has taken place.

Disclosure

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

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

Recommendation 7.3

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Disclosure and Departure

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

It is proposed that a member of the Audit and Risk Committee periodically review the Company's controls and spot-checks that the necessary procedures have been followed.

Recommendation 7.4

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

Disclosure

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

Corporate Governance Statement (continued)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

Recommendation 8.1

The Board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent Directors; and
(2) is chaired by an independent Director, and disclose:
(3) the charter of the committee;
(4) the members of the committee; and
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Departure

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

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

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

Recommendation 8.2

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

Disclosure

Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. From time to time the Company may grant options to Non-Executive Directors. The grant of options is designed to recognise and reward efforts, as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

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

Recommendation 8.3

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

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

Corporate Governance Statement (continued)

Disclosure

As at 30 June 2019, the Company had an equity-based remuneration scheme (**Long Term Incentive Plan**) and details of incentives on issue in the Long-Term Incentive Plan can be found in the Remuneration Report.

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

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

Directors’ Report

The directors present their report with the consolidated financial report of SenSen Networks Limited (“the Company”) and the entities it controlled (‘the Group”) at the end of, or during, the year ended 30 June 2019.

Directors and Company Secretary

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

Mr Subhash Challa, Executive Director
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director and Company Secretary
Mr Jason Ko, Non-Executive Director
Ms Heather Scheibenstock, Non-Executive Director (Appointed 7 September 2018)

Mr Subhash Challa

Executive Chairman, CEO and Managing Director

Qualifications:	B. Tech (Electrical and Electronics Engineering), JNTU College of Engineering, Hyderabad, India. PhD (Aerospace and Electronic Systems, Signal Processing), Queensland University of Technology
Experience:	Mr Challa founded SenSen Networks Group Pty Ltd (“SenSen P/L”) in 2007 as a spin-off from the University of Technology Sydney where he was Professor of Computer Systems. Mr Challa is a world-leading authority in data science specialising in the analysis of video and sensor data with a focus on solving everyday business problems. Born and raised in Hyderabad, India, Mr Challa was a visiting scholar at Harvard University (1997) and Tan-Chin Tau fellow at Nanyang Technological University in Singapore (2003). Between 2007-2011, he was a Senior Principal Researcher at National ICT Australia and Adjunct Professor at University of Melbourne. He co-authored over 150 research papers and the reference text "Fundamentals of Object Tracking" published by Cambridge University Press in 2011. Mr Challa left his successful career in academia to join SenSen P/L full-time as CEO in January 2012. He has led the development of the company's Video-IoT data analytics platform SenDISA and pioneered applications in diverse market segments. Under his leadership, the company has grown to over 60 engineers and marketing/sales executives with customers in overseas markets including Singapore, India, Europe, UAE and Canada. Mr Challa has no other current or previous listed company directorships in the last three years.
Special responsibilities:	Member of the Audit and Risk Committee
Interest in shares and options:	79,453,542 ordinary shares and 12,940,620 options over ordinary shares

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Directors' Report

Mr David Smith

Executive Director and Company Secretary

Qualifications:	B Econ, The University of Sydney, Dip Mgmt – Exec MBA, Australian Graduate School of Management
Experience:	Mr Smith was previously an investment banker with more than 15 years' experience, working in both the capital markets and M&A globally, having worked at JPMorgan Chase, Ord Minnett and BBY Limited. Mr Smith was regularly ranked as one of the Top 10 Australian Investment Bankers in annual surveys and raised more than $4 billion for corporate clients. With an extensive background in advising companies across all sectors, including technology, industrials and resources, Mr Smith has been integrally involved in the evolution of numerous emerging companies into multi-billion-dollar enterprises. Mr Smith is a Non-Executive Director of RAW Capital Partners Holdings Limited, a UK based, international asset management business. Mr Smith has no other current or previous listed company directorships in the last three years.
Special responsibilities:	Company Secretary
Interest in shares and options:	11,140,586 ordinary shares and 8,823,150 options over ordinary shares

Mr Zenon Pasieczny

Non-Executive Director

Qualifications:	MBA, Maastricht School of Management, The Netherlands
Experience:	Mr Pasieczny is an experienced venture capital investor screening 300+ deals annually and investing in only a handful. He backed SenSen for its outstanding potential as an Australian technology company with innovative and IP-driven solutions, helping it grow from an R&D focused start-up to a globally respected industry leader. Mr Pasieczny is Director of venture capital firm Saphet Capital Management and Managing Director of The House Family Office providing strategic and commercial advice to a select global client list. Mr Pasieczny completed his MBA from Maastricht School of Management, The Netherlands with a distinction in International Business. Mr Pasieczny has no other current or previous listed company directorships in the last three years.
Special responsibilities:	Member of the Audit and Risk Committee
Interest in shares and options:	46,876,258 ordinary shares and nil options over ordinary shares

Mr Jason Ko

Non-Executive Director

Qualifications:	Bachelor of Computer Science (Dean's Scholar program), Monash University
Experience:	Mr Ko is the CEO of Moduware Pty Ltd, an IoT platform and consumer device business, and a former CEO of Speedshield Technologies. As a CEO, Mr Ko led Speedshield from a loss-making business into a consistent $1M EBIT performer. Mr Ko is a Dean's scholar of Computer Science at Monash University with a keen sense and passion for IoT and businesses with a unique data proposition. He brings a unique blend of high technical skill and business acumen with proven experience in setting up and operating businesses in Australia, China and the US. Mr Ko has no current or previous listed company directorships in the last three years. Member of the Audit and Risk Committee
Special Responsibilities:	Nil
Interest in shares and options:	50,000 Ordinary shares

Ms Heather Scheibenstock

Non-Executive Director (appointed 7 September 2018)

Qualifications:	FGIA
Experience:	Ms Scheibenstock has over 25 years' experience within the gaming and hospitality industries specialising in strategic planning, business development, stakeholder engagement and offshore growth. From 2014-2016, Ms Scheibenstock was Senior Vice-President of Table Games at Bloomberry Resorts Corporation (PN:BLOOM), based in the Philippines at the Solaire Resort and Casino. Reporting to the President and COO, she managed a team of 2000 and was responsible for the planning and execution of Gaming strategy to drive growth, efficiencies/productivity, and excellence in customer service whilst ensuring the integrity of gaming and maintaining strict compliance with regulatory policies and procedures. Prior to that, Ms Scheibenstock held numerous roles while working as a senior executive at Echo Entertainment Group/The Star (ASX:SGR) from 1995-2013. From 2010-2013, she was General Manager of Gaming and Member of the Executive Leadership Team, where she developed the strategy and overall direction of the Gaming and VIP services division. As General Manager EGM, Sales and Customer Relations at The Star Gold Coast before that, Ms Scheibenstock was responsible for strategies and business development in Electronic Gaming, VIP International Sales, customer relations and the Star loyalty/rewards program. Ms Scheibenstock is currently a Non-Executive Director of ASX-listed global gaming company, Ainsworth Game Technology (ASX:AGI).
Special responsibilities:	Chair of the Audit and Risk Committee.
Interest in shares and options:	Nil

Directors' Report

Principal Activities

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

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

Dividends – SenSen Networks Limited

No dividends have been declared in the 2019 financial year (2018: no dividend declared).

Review of Operations

Information on the operations of the groups, its business strategies and prospects is set out in the Review of Operations and Activities on page 6 and in the Chairman's Letter on page 4.

Operating Results

The Group's net loss after tax was $5,227,798 (2018: Loss of $9,220,416). The loss for the year includes a non-cash share-based payment expense of $1,287,967 (2018: $2,019,099).

Shares

The following shares were issued during the year:

No of Shares	
Balance as at 1 July 2018	**411,315,895**
Shares issued to ESOP LTI on 27 July 2018	2,435,068
Shares issued to settle directors' loans on 1 November 2018	4,803,455
Balance as at 30 June 2019	**418,554,418**

Shares under option

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

Grant Date	Expiry Date	Exercise Price	Number of Options
30 November 2017	4 December 2020	$0.25	5,200,000
30 November 2017	4 December 2020	$0.35	5,200,000
30 November 2017	4 December 2020	$0.45	5,200,000
20 March 2018	30 September 2021	$0.18 (i)	15,854,256
			31,454,256

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

A further 16,714,583 were issued to management on 20 March 2018 . These options were subject to performance conditions based on full year results to 30 June 2019. These conditions have not been met and so these options will now lapse.

As a result, no options were granted as remuneration to key management personnel during the year.

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

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

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

Significant changes in the state of affairs

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

Events after the Reporting Period

On 7 August 2019, 3,153,235 ordinary shares were issued to directors, management and staff as part of the Company's Long Term Incentive Plan which was approved by approved by shareholders at the 2017 annual general meeting (AGM).

No matter or circumstance has arisen since 30 June 2019 that has significantly affected the groups' operations, results or state of affairs, or may do so in future years

Likely developments and review of operations

Comments on likely developments and review of operations of the Group are included in the annual report under the Review of Operations and Activities on page 6.

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

Environmental regulations

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

Directors' Meetings

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

Director	Board of Directors		Audit and Risk Committee	
	Number Eligible to attend	**Number Attended**	**Number Eligible to attend**	**Number Attended**
Subhash Challa	4	4	4	3
David Smith	4	4	4	4
Zenon Pasieczny	4	4	4	4
Jason Ko	4	4	4	3
Heather Scheibenstock	3	3	3	3

Remuneration Report (Audited)

The Directors are pleased to present the Company's 2019 remuneration report which sets out remuneration information for the Company's executive directors, non-executive directors and other key management personnel.

(a) Details of Directors and Key Management Personnel during the year ended 30 June 2019

Mr Subhash Challa, Executive Chairman
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director
Mr Jason Ko, Non-Executive Director
Mrs Heather Scheibenstock, Non-Executive Director (Appointed 7 September 2018)
Mr Tony Lynch, Chief Financial Officer

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

(b) Remuneration governance

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

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

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

(c) Executive remuneration policy and framework

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

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

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

– competitiveness and reasonableness;

– acceptability to shareholders;

– performance linkage/alignment of executive compensation;

– transparency; and

– capital management.

The executive remuneration framework has two components

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

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

Given the early stage nature of the Group's business, performance conditions were based around revenue growth for 2018 and 2019 rather than any comparison with factors external to the company nor to the performance of any other company or share index.

The Group will present an updated LTI plan for future years at the forthcoming 2019 AGM.

Remuneration Report (Audited) (cont'd)

(d) Long-term incentives (LTIs)

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

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

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

(e) Non-executive Director remuneration

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

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

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

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

(g) Voting and comments made at the company's 2018 Annual General Meeting

SenSen Networks Limited received more than 99% of 'yes' votes on its remuneration report for the 2018 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

(h) Group's performance and link to remuneration

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

(i) Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2019.

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Remuneration Report (Audited) (cont'd)

(j) Details of Remuneration

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

2018	Short-term Employee Benefits	Post-Employment Benefit	Long-term	Share-based payments		Total	Performance related %
Name	**Salary and Fees**	**Superannuation**	**Long Service Leave**	**Shares**	**Options**		
	$	**$**	**$**	**$**	**$**	**$**	
Directors							
S Challa	273,000	25,935	-	92,571	649,248**	1,040,754	62.4%
D Smith	176,136	16,733	-	77,143	442,669**	712,681	62.1%
Z Pasieczny	38,000	2,256	-	-	-	40,256	-
J Ko	38,000	2,256	-	-	-	40,256	-
Other key management personnel							
T Lynch (CFO)	117,000	-	-	37,029	60,938**	214,966	28.3%
	642,136	**47,181**	**-**	**206,743**	**1,152,855****	**2,048,914**	

* From 1 March 2019, the Company commenced an operational efficiency program to reduce its monthly cost structure. As part of this program, 20% of the KMP salary amounts have been deferred since 1 March 2019 and are planned to be paid in either cash or equity in November 2019.

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

Remuneration Report (Audited) (cont'd)

(k) Details of share-based payments

The following ordinary shares and options over ordinary shares were issued as part of compensation to key management personnel during the year ended 30 June 2019 and 30 June 2018.

Shares

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

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

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

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

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

2018	Year Granted	Balance at start of year (Number)	Granted during the year (Number)	Vested (Number)	Forfeited (Number)	Balance at end of year (unvested) (Number)	Maximum value yet to vest ** ($)
S Challa	2018	-	1,542,858	514,286	-	1,028,572	$185,143
D Smith	2018	-	1,285,713	428,571	-	857,142	$154,286
T Lynch	2018	-	617,142	205,714	-	411,428	$74,057

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Remuneration Report (Audited) (cont'd)

** The maximum value of the LTI shares yet to vest has been determined as the amount of the grant date fair value of the LTI shares that is yet to be expensed. For the 2018 grant, the maximum value yet to vest for this grant was estimated based on the 5-day VWAP of the Company's Shares on the first business day following the ASX release of each Quarterly Activities and Cashflow Report for the years 30 June 2018, 30 June 2019 and 30 June 2020.

Options

No options were issued to key management personnel during the year ended 30 June 2019.

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

	Name	Grant Date	Vesting Date	Expiry Date	Exercise Price	No. of options granted	No. of options vested	% options vested	Value per option at grant date
Tranche 1	S Challa	30 Nov 2017	30 Nov 2017	4 Dec 2020	25c, 35c and 45c in equal proportion	6,600,000	6,600,000	100%	$0.0632, $0.0472, $0.0366
Tranche 2	S Challa	20 March 2018	See conditions below.	30 Sept 2021	See conditions below.	6,600,000	6,340,620	96%	$0.0801
Tranche 3	S Challa	20 March 2018	See conditions below.	30 Sept 2022	See conditions below.	6,600,000	to be determined	0%	$0.0801
Tranche 1	D Smith	30 Nov 2017	30 Nov 2017	4 Dec 2020	25c, 35c and 45c in equal proportion	4,500,000	4,500,000	100%	$0.0632, $0.0472, $0.0366
Tranche 2	D Smith	20 March 2018	See conditions below.	30 Sept 2021	See conditions below.	4,500,000	4,323,150	96%	$0.0801
Tranche 3	D Smith	20 March 2018	See conditions below.	30 Sept 2022	See conditions below.	4,500,000	to be determined	0%	$0.0801
Tranche 2	T Lynch	20 March 2018	See conditions below.	30 Sept 2021	See conditions below.	1,234,286	1,185,778	96%	$0.0801
Tranche 3	T Lynch	20 March 2018	See conditions below.	30 Sept 2022	See conditions below.	1,234,286	to be determined	0%	$0.0801
						35,768,572	**22,949,548**		

Remuneration Report (Audited) (cont'd)

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

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

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

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

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

Issue conditions	Exercise Price
Tranche 2 Upon satisfaction of the following hurdle: • LTI Options (Performance) are only issued should the Company increase its year on year revenue, commencing from the audited revenue of $2,065,570, as reported in the 2017 Annual Report of SenSen P/L. • LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2017 to 2018 or no LTI Options (Performance) will be issued.	Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018
Tranche 3 Upon satisfaction of the following hurdle: • LTI Options (Performance) are only issued should the Company increase its year on year audited revenue, as reported in the 2019 Annual Report. • LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2018 to 2019 or no LTI Options (Performance) will be issued.	Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2019

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Remuneration Report (Audited) (cont'd)

Fair value of options granted

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

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

There were no options granted during the year ended 30 June 2019.

(l) Key Management Personnel Shareholdings

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

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

2018	Balance at 1 July 2017	Granted as remuneration	Options not vested due to performance conditions not met	Options forfeited or lapsed	Balance as at 30 June 2018	Total Vested	Total Non-vested
S Challa	-	19,800,000	(259,380)	-	19,540,620	12,940,620	6,600,000
D Smith	-	13,500,000	(176,850)	-	13,323,150	8,823,150	4,500,000
T Lynch	-	2,468,571	(48,507)	-	2,420,064	1,185,779	1,234,286

Remuneration Report (Audited) (cont'd)

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

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

(i) H Scheibenstock was appointed as director on 17 September 2018.

(ii) During the year, David Smith received 1,275,737 shares as repayment for a director's loan. A further 1,050,000 shares were acquired on market by directors during the year.

2018	Balance at 1 July 2017 (Pre-consolidation)	Balance at 1 July 2017 (Post consolidation)	Acquisition of SenSen Networks Pty Ltd	Shares issued on exercise of options	Other changes during the year	Balance held at 30 June 2018
Directors						
S Challa	-	-	78,024,970	-	514,286	78,539,256
D Smith	36,500,000	3,650,000	2,241,197	-	3,445,081	9,336,278
Z Pasieczny	-	-	46,376,259	-	-	46,376,259
J Ko	-	-	-	-	-	-
Other KMP						
Tony Lynch	-	-	-	-	205,714	205,714
Total	**36,500,000**	**3,650,000**	**126,642,426**	**-**	**4,164,541**	**134,457,507**

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

Remuneration Report (Audited) (cont'd)

(m) Loans from key management personnel

Directors loans and payables of $982,242 were settled in full during the period as approved at the Company's Annual General Meeting on 31 October 2018. $731,749 was settled through equity consideration and the remainder in cash to settle related PAYG withholding liabilities.

On 29 May 2019, a loan agreement was executed with Subhash Challa (director) to provide the Company an unsecured loan facility of $500,000. Loans outstanding from this facility as at 30 June 2019 amounted to $320,000 (2018: nil). The loan is repayable in full on 31 December 2019 or such later date as mutually agreed by the parties. Interest is payable on this loan at the rate of 4.95% per annum. Interest payable for the year amounted to $1,320 (2018: nil). The principal and accrued interest is payable on maturity date.

(n) Other transactions with key management personnel

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

(o) Service Agreements with key management personnel

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

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

End of Remuneration Report (Audited)

Directors' Report

Auditor's Independence Declaration

The directors received the Independence Declaration from the lead auditor of SenSen Networks Limited which is appended to this report on page 40.

Non-Audit Services

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

Other non-assurance services	**$**
Tax compliance services	39,981
Preparation of Service Organisation Controls (SOC 2) controls reports	76,283
	116,264

Indemnifying and Insurance of Directors and Officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnity, or paid or agreed to pay insurance premiums as follows:
The Company has paid premiums to insure all of the Directors and key management personnel of the Company as named above, the Company Secretary, and all executive officers of the Company against any liability incurred as such by Directors, the Secretary or Executive Officers to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Proceedings on Behalf of the Company

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

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

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

Subhash Challa, Chairman
30 September 2019

Auditors Independence Declaration

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DECLARATION OF INDEPENDENCE BY M CUTRI TO DIRECTORS OF SENSEN NETWORKS LIMITED

As lead auditor of SenSen Networks Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

M Cutri

Director

BDO Audit Pty Ltd

Brisbane, 30 September 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of SenSen Networks Limited

Report on the Audit of the Financial Report

Opinion

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

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

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

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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.

Revenue recognition under AASB 15: Revenue from Contracts with Customers (AASB 15)

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures about revenue recognition are included in Note 1(b), which details the accounting policies applied following the implementation of AASB 15 Revenue from Contracts with Customers. The assessment of revenue recognition was significant to our audit because revenue is a material balance in the financial statements for the year ended 30 June 2019 and the Group was required to change its accounting policies to align with the new standard. The recognition of revenue largely depends on the terms of the underlying contracts with customers. Contracts can be complex and bespoke. In particular, significant judgment and estimation are required by the Group in determining the amount of revenue recognised for licences and other multiple obligation customer contracts, and the timing of when this revenue is recognised. The assessment of revenue recognition and measurement required significant auditor effort.	Our procedures included, amongst others: • Assessing the Group's revenue recognition policy's for compliance with Australian Accounting Standards. • Developing understanding of the various revenue streams and the Group's revenue recognition policies for each streams though discussions with management and assessment; • Reviewing a sample of key customer contracts for each revenue streams with multiple obligations to determine whether revenue was recognised in accordance with the Group's accounting policies and the requirements of the Australian Accounting Standards. • Testing a sample of revenue transactions and reviewing the terms and conditions of the executed contracts and other supporting evidence to ensure that the accounting treatment had been correctly applied, including evaluating whether performance obligations had been met and revenue had been recognised in the correct period. • Performing a detailed analysis of revenue and the timing of its recognition based on expectations derived from our knowledge of the Group's products and the market it operates in.

Other information

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

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 30 to 38 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of SenSen Networks 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.

BDO Audit Pty Ltd

M Cutri
Director

Brisbane, 30 September 2019

Directors' Declaration

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

1. the financial statements and notes, as set out on pages 45-93.

   a) comply with Australian Accounting Standards and interpretations, and *Corporations Act 2001* and *Corporations Regulations 2001*, which confirms compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; and

   b) give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;

2. in the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3. the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Subhash Challa
Chairman
30September 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Revenue from contracts from customers			
Sales Revenue	4	3,727,414	4,049,910
Cost of Sales		(2,080,258)	(2,034,785)
Gross Profit		1,647,156	2,015,125
Other income	4	940,496	723,140
Interest income	4	15,960	9,274
Expenses			
Consulting expense		(897,651)	(930,833)
Research and development expense	5	(2,757,438)	(1,688,019)
Staff costs – share based payments	22	(1,287,967)	(2,019,099)
Occupancy expense		(123,723)	(235,404)
Marketing expense		(342,425)	(221,044)
Administration expense	5	(2,320,212)	(1,597,908)
Finance costs	5	(15,466)	(112,767)
Corporate restructure expense	2	-	(5,229,773)
Loss before income tax		**(5,141,270)**	**(9,287,308)**
Income tax (expense)/benefit	6	(136,528)	66,892
Loss for the period		**(5,277,798)**	**(9,220,416)**
Loss attributable to members of the parent entity		(5,277,798)	(9,220,416)
		(5,277,798)	**(9,220,416)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign controlled entities		(122,824)	27,369
Total comprehensive (loss)/income for the period		**(122,824)**	**27,369**
Total comprehensive loss for the period attributable to:			
- Members of the parent entity		**(5,400,622)**	**(9,193,047)**
Loss per share:			
Basic and diluted loss per share (cents)	7	**(1.27)**	**(3.99)**

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,972,205	6,556,928
Trade and other receivables	11	735,811	387,961
Contract assets	1(b)(i)	234,886	-
Other assets		117,215	243,730
Total Current Assets		**3,060,117**	**7,188,619**
Non-Current Assets			
Other receivables		56,190	73
Property, plant and equipment	12	474,205	204,870
Deferred tax assets	6	-	337,019
Total Non-Current Assets		**530,395**	**541,962**
TOTAL ASSETS		**3,590,512**	**7,730,581**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	1,463,987	1,572,798
Tax liabilities		1,509	237,600
Contract liabilities	1(b)(i)	281,837	-
Other Liabilities		42,429	
Borrowings	14	1,324,667	1,388,947
Total Current Liabilities		**3,114,429**	**3,199,345**
Non-Current Liabilities			
Other payables		-	-
Borrowings	14	-	-
Total Non-Current Liabilities		**-**	**-**
TOTAL LIABILITIES		**3,114,429**	**3,199,345**
NET ASSETS		**476,083**	**4,531,236**
EQUITY			
Issued capital	15	29,463,614	28,731,865
Reserves	16	3,210,629	2,045,486
Accumulated losses		(32,198,160)	(26,246,115)
TOTAL EQUITY		**476,083**	**4,531,236**

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

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Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2017	**13,724,923**	**(17,025,699)**	**(982)**	**(3,301,758)**
Loss for the year	-	(9,220,416)	-	(9,220,416)
Other comprehensive income for the period	-	-	27,369	27,369
Total comprehensive loss for the period	**-**	**(9,220,416)**	**27,369**	**(9,193,047)**
Transactions with owners in their capacity as owners				
Acquired from reverse acquisition (Note 2)	10,306,942	-	-	10,306,942
Shares issued during the year (Note 15)	5,000,000	-	-	5,000,000
Share issue costs (Note 15)	(300,000)	-	-	(300,000)
Share Based Payments (Note 22)	-	-	2,019,099	2,019,099
Balance at 30 June 2018	**28,731,865**	**(26,246,115)**	**2,045,486**	**4,531,236**
Balance at 1 July 2018 previously reported	**28,731,865**	**(26,246,115)**	**2,045,486**	**4,531,236**
Effect of adoption of new accounting standards (Note 1)	-	(674,247)	-	(674,247)
Balance at 1 July 2018 (restated)	**28,731,865**	**(26,920,362)**	**2,045,486**	**3,856,989**
Loss for the period	-	(5,277,798)	-	(5,277,798)
Other comprehensive income for the period	-	-	(122,824)	(122,824)
Total comprehensive loss for the period	**-**	**(5,277,798)**	**(122,824)**	**(5,400,622)**
Transactions with owners in their capacity as owners				
Shares issued during the year (Note 15)	731,749	-	-	731,749
Share Based Payments (Note 22)	-	-	1,287,967	1,287,967
Balance at 30 June 2019	**29,463,614**	**(32,198,160)**	**3,210,629**	**476,083**

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,309,253	3,038,745
Payments to suppliers and employees		(7,758,165)	(7,711,679)
Interest received		15,960	60,942
Finance costs		(15,466)	(54,145)
Government grants received		940,496	723,140
Taxation		-	(228,836)
Net cash used in operating activities	10	**(4,507,922)**	**(4,171,833)**
Cash flows from investing activities			
Purchase of plant and equipment		(396,804)	(134,901)
Cash from acquisition of subsidiary		-	6,422,440
Net cash provided by/(used in) investing activities		**(396,804)**	**6,287,539**
Cash flows from financing activities			
Proceeds from issue of shares		-	5,050,000
Proceeds from borrowings	10(b)	320,003	727,600
Repayment of borrowings	10(b)	-	(1,125,069)
Net cash provided by financing activities		**320,003**	**4,652,531**
Net increase in cash and cash equivalents		(4,584,723)	6,768,235
Cash and cash equivalents at beginning of the financial year		6,556,928	(211,307)
Cash and cash equivalents at end of financial year		**1,972,205**	**6,556,928**

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

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements were authorised for issue on 30 September 2019 by the directors of the company.

(a) Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements. For the year ended 30 June 2019 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

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

(b) Changes in Accounting Policies

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

The Group applies, for the first time, AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers.* This note explain the impact of the adoption of AASB 9 and AASB 15 on the consolidated financial statements.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in Accounting Policies (continued)

(i) AASB 15 Revenue from Contracts with Customers – Impact of adoption
AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted AASB 15 from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted AASB 15 using the cumulative effect method. Accordingly, the information presented for 2018 financial report has not been restated, which has been presented as previously reported under AASB 118 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2018) of AASB 15:

	AASB 118 carrying amount at 30 June 2018	Reclassification	Remeasurement	AASB 15 carrying amount at 1 July 2018
Accumulated losses	(26,246,115)	-	(674,247)	(26,920,362)
Contract Liabilities	-	-	674,247	674,247

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	Consolidated 2019 $	Consolidated 2018 $
Contract Assets (current)		
Balance at beginning of the year under AASB 118	-	-
Movements during the year	234,886	-
Balance at the end of the year	**234,886**	**-**

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Consolidated	
	2019 $	2018 $
Contract Liabilities (current)		
Balance at beginning of the year under AASB 18	-	-
Effect of adoption of AASB 15	674,247	-
Balance as restated at 1 July 2018 under AASB 15*	**674,247**	**-**
Revenue recognised which was included in the contact liability balance at beginning of the period	(1,021,069)	-
Cost to fulfil a contract recognised as cost of sales during the period	396,064	-
Consideration received from contracts with unsatisfied performance obligations	433,676	-
Cost incurred for contracts to be fulfilled in future period	(201,081)	-
Balance at the end of the year*	**281,837**	**-**

*Balance include asset recognised for costs incurred to fulfil a contract as follows:

	30 June 2019	1 July 2018
Contract liabilities	482,918	1,070,311
Less: Costs to fulfil a contract	(201,081)	(396,064)
	281,837	**674,247**

The contract liabilities represent payments made in advance of the completion of the performance obligation. All performance obligations are expected to be settled within 12 months from reporting date.

The recognition of contract assets and liabilities is due to the adoption of AASB 15 and are created within the normal business operations. There have been no material changes to previously existing contracts with the customers during the period.

Costs incurred to fulfil a contract (included in contract liabilities)
In adopting AASB 15 on 1 July 2018, the Group recognised an asset in relation to costs incurred in acquisition of hardware that will be used to fulfil fixed-price contracts. These costs had been expensed as incurred in 2019. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

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Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Impact on the consolidated statement of financial position – 30 June 2019

The following tables summarise the impacts of adopting AASB 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 30 June 2019.

	Consolidated		
	As reported under AASB 15	**Adjustments**	**Amounts under previous AASB 118**
Contract assets	234,886	(234,886)	-
Trade and other receivables	735,811	(55,000)	680,811
Other	2,619,815	-	2,619,815
Total assets	**3,590,512**	**(289,886)**	**3,300,626**
Contract liabilities	281,837	281,837	-
Other	2,832,592	-	2,832,592
Total liabilities	**3,114,429**	**(281,837)**	**2,832,592**
Net assets	**476,083**	**(8,049)**	**468,034**
Equity			
Issued capital	29,463,614	-	29,463,614
Reserves	3,210,629	-	3,210,629
Accumulated losses	(26,920,362)	674,247	(26,246,115)
Current earnings	(5,277,798)	(682,296)	(5,960,094)
Total equity	**476,083**	**(8,049)**	**468,034**

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Impact on the consolidated statement of profit or loss and other comprehensive income – 30 June 2019

	Consolidated		
	As reported under AASB 15	**Adjustments**	**Amounts under previous AASB 118**
Sales revenue	3,727,414	(877,279)	2,850,135
Cost of sales	(2,080,258)	194,983	(1,885,275)
Gross Profit	**1,647,156**	**(682,296)**	**964,860**
Profit/(Loss) for the period	**(5,277,798)**	**(682,296)**	**(5,960,094)**
Total comprehensive loss for the period attributable to the members of the parent entity	**(5,400,622)**	**(682,296)**	**(6,082,918)**

(iv) Impact on basic and diluted loss per share

	Consolidated		
	As reported	**Adjustments**	**Amounts without adoption of AASB 15**
Basic and diluted loss per share (cents)	**(1.27)**	**(0.16)**	**(1.43)**

* The Company adopted AASB 15 as at 1 July 2018 and, as a result made a number of changes as outlined above to retained earnings and to how current earnings would have been prepared under the previous standard AASB 118. A small number of customer contracts were affected where revenue is now recognised as per AASB 15 at the point of completing the performance obligation as opposed to other methods such as the transfer of the significant risks and rewards per the previous accounting standard.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) AASB 15 *Revenue from Contracts with Customers* – Accounting policies applied from 1 July 2018

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

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

The Group recognises revenue predominantly from the sale of hardware, software and services, including implementation, training, and after-sales maintenance and contracts for Video Analytics Artificial Intelligence platforms and products.

The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of hardware, software and related after-sales service. In most cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sale of Hardware, Software License and Customised Installation

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

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

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

Service contracts

Identifying performance obligations

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

The Group concludes that there is one performance obligation which is the service contracts.

Customer contracts with multiple performance obligations

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

AASB 9 *Financial Instruments* – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. AASB 9 was generally adopted without restating comparative information.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

(i) Classification and Measurement

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

At the date of initial application of AASB 9 on 1 July 2018, the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The directors of the Group determined the existing financial assets and liabilities as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effects:

- Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(ii) Impairment of financial assets
In adopting AASB 9, an expected credit loss model is applied and not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss (ECL) model requires the group to account for expected credit loss since initial recognition.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which used lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the trade and other receivables have been grouped based on shared credit risk characteristics and the number of days past due. The contract assets relate to unbilled work in progress and unbilled software and hardware sales and have substantially the same characteristics as the trade receivables for the same types of contracts. On that basis, the loss allowance as at 1 July 2018 was determined for both trade and other receivables and contract assets.

The application of the AASB 9 impairment requirements did not result to a material change to the Group's net trade and other receivables and contract assets as at 1 July 2018. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

AASB 9 *Financial Instruments* – Accounting policies applied from 1 July 2018

(i) Investments and other financial assets
Classification
From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. 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.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment
From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables. For trade and other receivables and contract assets, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period. The Group has decided against early adoption of these standards. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 16 Leases

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date. When effective, this standard will replace the current accounting requirements applicable to leases in AASB117 *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for most leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease.

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $653,860 (refer to Note 25). However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Going concern basis

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

As disclosed in the consolidated financial statements, the group has net operating cash outflows during the year ended 30 June 2019 of $4,507,922 (30 June 2018: $4,171,833) and as at 30 June 2019 has a net asset position of $476,083 (30 June 2018: $4,531,236). The Group also generated a loss after tax for the year of $5,277,798 (30 June 2018: $9,220,416).

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

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

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

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

- Recent history of expanding into the overseas market and continued interest in the Groups products
- Discussions with parties interested in contributing capital
- The ability to scale back expenditure as and when required to preserve cash if needed.

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

(e) Business combinations and asset acquisitions

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

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

(f) Income tax

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(g) Fair value of assets and liabilities

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cash and cash equivalents

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

(i) Trade and other receivables

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

(j) Trade and other payables

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

(k) Goods and Services Tax (GST)

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Property, plant and equipment

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

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

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

Depreciation

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

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

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

(m) Impairment of non-financial assets

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

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

(n) Borrowings

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(o) Employee benefits – short-term obligations

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

The liability for accumulating personal leave is recognised in the provision for leave. All other short-term employee benefit obligations are presented as payables

(p) Equity-settled compensation

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

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, or Black-Scholes model, further details of which are given in Note 22 The fair value of shares is determined by the market value of the Group's shares at grant date.

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

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

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

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

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

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

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

(q) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

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

(r) Provisions

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

(s) Foreign currency transactions and balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition

The accounting policies for the Group's revenue from contracts with customers are explained in note 4.

(u) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Note 5 provides further information on how the group accounts for government grants.

Research and development tax incentive

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development (R&D) Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(v) Significant accounting judgements estimates and assumptions

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

(i) Impairment of loans to, and investment in, subsidiaries – Note 23

Where a subsidiary entity incurs a loss, the parent entity assesses the recoverability of any loans due from, or investments in, any subsidiary. Where required, the parent entity will then record an impairment loss against the value of its loans to, or investment in, the subsidiary.

(ii) Share-based Payments – Note 22

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

(iii) Recognition of revenue – Note 1

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

2. REVERSE ACQUISITION

SenSen Networks Limited (formerly Orpheus Energy Limited) (the Company) acquired SenSen Networks Group Pty Ltd ("SenSen P/L") on 18 October 2017.

From a legal and taxation perspective the Company is considered the acquiring entity. However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 *Business Combinations* (AASB 3) because the acquisition resulted in SenSen P/L shareholders holding a controlling interest in the Company after the transaction notwithstanding the Company being the legal parent of the Group. At the time of the acquisition the Company divested all of its operations, and its activities were limited to managing its cash balances, filing obligations (i.e., a listed shell), and completion of the acquisition. It is therefore considered that the Company does not meet the definition of a business for the purposes of AASB 3 as it did not have any processes or outputs.

The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where SenSen P/L is the accounting acquirer and the Company is the legal acquirer. The 2018 annual report includes the consolidated financial statements of SenSen P/L for the full year and the Company for the period 18 October 2017 to 30 June 2018. The 2018 annual report represents a continuation of SenSen P/L's financial statements with the exception of the capital structure. The amount recognised as equity instruments in these consolidated statements represents the issued equity of the Company adjusted to reflect the equity issued by the Company on acquisition.

Under the reverse acquisition principles, the consideration provided by SenSen P/L was determined to be $10,306,942 which is the deemed fair value of the 103,069,423 shares owned by the former SenSen Networks Limited shareholders at the completion of the acquisition, valued at the capital raising share price of $0.10 per share. The excess of the deemed fair value of the shares owned by the Company shareholders and the fair value of the identifiable net assets of the Company immediately prior to the completion of the merger is accounted for under AASB 2 *Share Based Payments* and resulted in the recognition of $5,229,773 being recorded as "Corporate Restructure Expense". The net assets of the Company were recorded at fair value at acquisition date. As the carrying value of all assets and liabilities held by the Company at acquisition date approximated their fair value, no adjustments were required.

The fair values of the assets and liabilities of the Company (being the accounting acquiree) as at the date of acquisition and the deemed consideration is as follows:

Assets acquired and liabilities of SenSen Networks Limited assumed at the date of acquisition	**At 18 October 2017** **$**
Current assets	
Cash and cash equivalents	6,422,440
Trade receivables	39,589
Total assets	**6,462,029**
Current liabilities	
Trade and other payables	1,041,576
Borrowings	343,284
Total liabilities	**1,384,860**
Fair value of net assets acquired	**5,077,169**

2. REVERSE ACQUISITION (CONTINUED)

'Corporate restructure expense' on acquisition:	
Fair value of the shares deemed to have been issued by SenSen (a)	10,306,942
Less fair value of identifiable net assets acquired - Sensen Networks Limited (as per above)	5,077,169
Corporate restructure expense	**5,229,773**

(a) The fair value of the deemed consideration of $10,306,942 was based on the Company's most recent public offer share price of $0.10 multiplied by the number of shares on issue at the date of the transaction being 103,069,423. The directors believe that this is the most reasonable measurement of the consideration given the facts and circumstances surrounding the acquisition.

3. SEGMENT REPORTING

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

AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Following the acquisition of SenSen Networks Group Pty Ltd, the Group aggregated all its reporting segments into two reportable operating segments. Prior to acquisition, the Company operated as a corporate shell having ceased its previous exploration activities in the prior period.

The principal areas of operation of the group are as follows:
- Smart Cities
- Retail & Leisure

Segment Revenues and Results

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

	Smart Cities $	Retail & Leisure $	Consolidated $	Smart Cities $	Retail & Leisure $	Consolidated $
		2019			2018	
Segment performance						
Revenue						
Sales of services	957,541	-	957,541	-	-	-
Sales of Hardware/software	2,728,940	40,933	2,769,873	3,019,575	1,030,335	4,049,910
Other external revenue	956,456	-	956,456	723,140	-	723,140
Inter-segment revenue	-	-	-	-	-	-
Total Revenue	4,642,937	40,933	4,683,870	3,742,715	1,030,335	4,773,050
Segment expenses	(8,948,403)	(876,737)	(9,825,140)	(13,718,409)	(341.949)	(14,060,358)
Segment result before tax	(4,305,466)	(835,806)	(5,141,270)	(9,975,694)	668,366	(9,287,308)
Income tax	(136,528)	-	(136,528)	66,892	-	66,892
Net Loss	**(4,441,992)**	**(835,806)**	**(5,277,798)**	**(9,908,802)**	**668,366**	**(9,220,416)**
Non-cash and other significant items:						
Depreciation and amortisation	80,929	-	80,929	39,797	-	39,797
Share-based payment expense	1,287,967		1,287,967	(2,019,099)	-	(2,019,099)
Corporate Restructure Expense	-	-	-	(5,229,773)	-	(5,229,773)

3. SEGMENT REPORTING (continued)

	Smart Cities $	SenGame $	Total $	Smart Cities $	SenGame $	Total $
	As at 30 June 2019			As at 30 June 2018		
Assets:						
Segment assets	3,558,262	32,250	3,590,512	7,730,581	-	7,730,581
Inter segment eliminations	-	-	-	-	-	-
Total Assets	3, 558,262	32,250	3,590,512	7,730,581	-	7,730,581
Liabilities:						
Segment liabilities	(2,967,497)	(146,932)	(3,114,429)	(3,199,345)	-	(3,199,345)
Inter segment eliminations				-	-	-
Total Liabilities	(2,967,497)	(146,932)	(3,114,429)	(3.199,345)	-	(3,199,345)

4. REVENUE AND OTHER INCOME

	Consolidated 2019 $	2018 $
Revenue from contracts with customers		
Sale of hardware/software	2,769,873	4,049,910
Sale of services	957,541	-
	3,727,414	4,049,910
Other Income		
Interest received	15,960	9,274
Other revenue – Government Grants	940,496	723,140
	956,456	732,414
Total revenue and other income	**4,683,870**	**4,782,324**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

5. EXPENSES

	Note	Consolidated 2019 $	Consolidated 2018 $
Finance costs – interest owing to related parties		-	13,368
Finance costs – interest paid to other persons		15,466	99,399
Total Finance cost		**15,466**	**112,767**
Rental expense on operating leases	(a)	280,467	152,806
Depreciation and amortisation		80,929	39,797
Contributions to defined contribution superannuation funds	(b)	232,875	128,903
Other employee benefits expenses	(c)	3,729,412	2,577,114
Total employee benefits expenses		**3,962,287**	**2,706,017**

(a) Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

(b) Contributions to defined contribution plans are expensed when incurred.

(c) Employee benefits expense includes administrative staff costs of $1,258,805 (2018: $969,328), research and development costs of $2,001,682 (2018: $1,313,790) and direct staff costs included in Cost of Sales of $701,800 (2018: $422,899) as stated in the Consolidated Profit and Loss.

6. INCOME TAX

	Consolidated 2019 $	Consolidated 2018 $
(a) Major components of income tax benefit (expense)		
Current tax expense		
Current tax expense	(200,491)	211,748
Deferred tax expense		
Adjustments in respect of current income tax of previous years	-	13,232
Relating to origination and reversal of temporary differences	337,019	(291,872)
Total income tax expense/(benefit)	136,528	(66,892)

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated 2019 $	Consolidated 2018 $
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Loss from continuing operations before income tax expense	(5,141,270)	(9,287,308)
	Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(1,413,849)	(2,554,010)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Non-deductible items	353,823	2,067,875
	(Over)/Under provision for tax in the previous year	(320,982)	13,233
	Accounting expenditure subject to R&D tax incentive	756,855	726,599
	Other income not included in assessable income	-	(190,716)
	Other	(241,617)	(129,873)
	Deferred tax asset not recognised on temporary differences	1,002,298	-
	Total Income tax (expense)/benefit	**136,528**	**(66,892)**

		Consolidated 2019 $	Consolidated 2018 $
(c)	**Deferred Income Tax**		
	Deferred income tax at 30 June relates to the following:		
	Deferred Tax Assets		
	Sundry creditors and accruals	20,585	29,828
	Provisions	50,962	33,443
	Borrowing expenses	352	601
	Share issue costs	49,500	66,000
	Section 40-880 Deduction	143,353	218,928
	Depreciation	(3,263)	(11,781)
	Tax losses carried forward	740,810	-
	Deferred tax asset not recognised	(1,002,299)	-
		-	**337,019**

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

(i) future assessable income of a nature and of an amount sufficient to enable the benefit to be realised is generated;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

(d) Movements in deferred tax assets

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

Year ended June 2018	**1 July 2017**	**Charged/credited to** Profit or Loss	**Charged/credited to** Directly to equity	**Charged/credited to** Acquisition of subsidiary	**30 June 2018**
Sundry creditors and accruals	49,500	(44,683)	-	25,011	29,828
Provisions	4,986	28,457	-	-	33,443
Borrowing expenses	-	(250)	-	851	601
Share issue costs	-	-	66,000	-	66,000
Section 40-880 Deduction	16,815	195,374	-	6,739	218,928
Depreciation	-	(11,781)	-	-	(11,781)
	71,301	**167,117**	**66,000**	**32,601**	**337,019**

(e) Franking Credits

The Group does not hold franking credits as at 30 June 2019 or 30 June 2018.

7. EARNINGS/(LOSS) PER SHARE

	Consolidated 2019 Cents per Share	Consolidated 2018 Cents per Share
(a) Basic and diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the company	(1.27)	(3.99)
Total basic loss per share attributable to the ordinary equity holders of the company	(1.27)	(3.99)
(b) Reconciliation of earnings used in calculating loss per share		
Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share		
- From continuing operations	(5,277,798)	(9,220,416)

(c) Weighted average number of shares

	Consolidated 2019 No	Consolidated 2018 No
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	416,743,424	213,180,678

As at 30 June 2019, there are 31,454,256 (2018: 15,600,000) options outstanding. Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

8. AUDITOR'S REMUNERATION

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

	Consolidated 2019 $	Consolidated 2018 $
Audit and review of the financial reports	102,687	60,000
Preparation of Service Organisation Controls (SOC 2) controls reports	76,283	-
Taxation services	39,981	89,360
Total remuneration of BDO	**218,931**	**149,360**

9. CASH AND CASH EQUIVALENTS

	2019	2018
Cash at bank and in hand	1,972,205	6,556,928
Reconciliation of cash		
Cash at the end of the financial year as shown in the cashflow statement is reconciled to cash at the end of the finacial year as follows:		
Cash at bank and in hand	1,972,205	6,556,928
Bank overdrafts	-	-
	1,972,205	**6,556,928**

For consolidated statement of cash flow presentation purposes cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the consolidated statement of financial position.

10. CASH FLOW INFORMATION

(a) Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated 2019 $	Consolidated 2018 $
Net loss for the year	(5,277,798)	(9,220,416)
Adjustments for:		
Depreciation and amortisation expense	80,929	39,797
Corporate Restructure expense	-	5,229,773
Share based payment expense	1,287,967	2,019,099
Reverse acquisition adjustment	-	406,930
Changes in operating assets and liabilities, net of the effects from acquisition of subsidiary		
Decrease/(Increase)/in trade and other receivables	(347,850)	(85,213)
(Decrease)/increase in trade and other payables	199,677	(2,561,803)
(Decrease)/increase in provisions	(450,847)	-
Net cash used in operating activities	**(4,507,922)**	**(4,171,833)**

10. CASH FLOW INFORMATION (continued)

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

Year ended 30 June 2019	Opening Balance	Cash flows	Non-cash Changes	Closing Balance
Borrowings (i) (ii)	1,388,947	320,003	384,283	1,324,667
	1,388,947	**320,003**	**384,283**	**1,324,666**

Year ended 30 June 2018	Opening Balance	Cash flows	Non-cash Changes	Closing Balance
Borrowings (ii)	1,699,444	(397,469)	86,972	1,388,947
	1,699,444	**(397,469)**	**86,972**	**1,388,947**

Non-cash financing activities above includes:

(i) Amortisation of the motor vehicle loan under finance leases – Note 14

(ii) Settlement of directors’ loans $343,284 during the period through issue of shares as approved at the Company’s Annual General Meeting on 31 October 2018 – Note 15

11. TRADE AND OTHER RECEIVABLES

	Note	Consolidated 2019 $	Consolidated 2018 $
CURRENT			
Trade Receivables		735,811	407,623
Allowance for expected credit losses		-	(19,663)
		735,811	**387,961**
Other receivables – owing on sale of subsidiaries	(a)	6,836,003	6,836,003
Allowance for expected credit losses	(b)	(6,836,003)	(6,836,003)
		-	**-**
		735,811	**387,961**

The adoption of AASB 9 *Financial instruments* did not have a material impact on the classification, measurement and impairment of trade and other receivables.

	Consolidated 2019 $	Consolidated 2018 $
(a) Deferred payment owing on sale of subsidiaries - PT Alam Duta Kalimantan (ADK) and PT Citra Bara Prima (CBP); and a sale of tenements B34 and Papua		
Opening balance	6,836,003	6,836,003
Foreign exchange (loss) gain	-	-
Closing balance	6,836,003	6,836,003

(b) The Board has resolved to make a provision for expected credit losses of the amounts owing to the sale of subsidiaries as payment has not been received in accordance with the Settlement Agreement. Under the Settlement Agreement with Nugroho Suksmanto, the total receivable was IDR 70 billion Rupiah plus interest of IDR 8.75 billion Rupiah (total of 78.75 billion Rupiah or $6.8 million) which remained unpaid. Although the Company continues to pursue the debt, the Board has resolved to make a provision for full impairment of the amounts owing on the sale of subsidiaries as payment has not been received in accordance with the settlement agreement.

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Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles $	Furniture & Equipment $	Computer Equipment $	Total $
30 June 2018				
Opening net book value	72,160	11,347	29,811	**113,318**
Additions	-	3,652	127,697	**131,349**
Depreciation and amortisation	(5,501)	(2,140)	(32,156)	**(39,797)**
Balance at 30 June 2018	66,659	12,859	125,352	**204,870**
At 30 June 2018				
Cost	96,371	44,952	257,422	**398,745**
Accumulated depreciation	(29,712)	(32,093)	(132,070)	**(193,875)**
Net book balance	66,659	12,859	125,352	**204,870**

	Motor Vehicles $	Furniture & Equipment $	Computer Equipment $	Total $
30 June 2019				
Opening net book value	66,659	12,859	125,352	**204,870**
Additions	37,880	1,509	310,875	**350,264**
Depreciation and amortisation	(10,793)	(1,355)	(68,781)	**(80,929)**
Balance at 30 June 2019	93,746	13,013	367,446	**474,205**
At 30 June 2019				
Cost	133,565	46,461	560,781	**740,807**
Accumulated depreciation	(39,819)	(33,448)	(193,335)	**(266,602)**
Net book balance	93,746	13,013	367,446	**474,205**

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2019 $	2018 $
Current		
Trade payables	515,542	414,016
Payroll liabilities	710,667	742,433
Accrued expenses	237,778	416,349
	1,463,987	**1,572,798**

14. BORROWINGS

		Consolidated 2019 $	Consolidated 2018 $
(a)	Loans from related parties – unsecured	820,000	870,895
(b)	Bank Loan	450,000	450,000
(c)	Car Loan	54,667	68,052
Total Current Borrowings		**1,324,667**	**1,388,947**

(a) A shareholder, Speedshield Holdings extended a loan of $500,000 to the Company with no interest payable.

On 29 May 2019, a loan agreement was executed with Subhash Challa (director) to provide the Company an unsecured loan facility of $500,000. Loans outstanding from this facility as at 30 June 2019 amounted to $320,000 (2018: nil). The loan is repayable in full on 31 December 2019 or such later date as mutually agreed by the parties. Interest is payable on this loan at the rate of 4.95% per annum. Interest payable for the year amounted to $1,320 (2018: nil). The principal and accrued interest is payable on maturity date.

(b) The Company has a business loan facility with Commonwealth Bank for $450,000. Variable rate interest of 5.45% is charged and the loan term expires on 13 December 2020.

(c) The Company has a motor vehicle loan which expires in June 2020.

15. ISSUED CAPITAL

	Note	Consolidated 2019 $	Consolidated 2018 $
Ordinary shares	(a)	**29,463,614**	**28,731,865**

(a) Share capital movement during the period:

	Consolidated 2019 No.	2019 $	Consolidated 2018 No.	2018 $
Balance at beginning of the reporting period	411,315,895	28,731,865	6,259,358	13,724,923
Shares issued during the year (i)	2,435,068	-	-	-
Share issue costs (ii)	4,803,455	731,749	-	-
Merger of SenSen Networks Limited (the Company) and SenSen Networks Group Pty Ltd (SenSen)				
Elimination of existing SenSen shares at acquisition date	-	-	(6,259,358)	-
Existing Company shares at acquisition of SenSen	-	-	103,063,423	-
Company shares issued to SenSen vendors on acquisition	-	-	273,764,706	10,306,942
Placement of shares	-	-	34,481,766	4,700,000
Balance at end of period	**418,554,418**	**29,463,614**	**411,315,895**	**28,731,865**

(i) SenSen issued 2,435,068 shares to directors and staff members as part of the company's Long-Term Incentive scheme on 27 July 2018

(ii) Directors' loans and payables of $982,242 were settled in full during the period as approved at the Company's Annual General Meeting on 31 October 2019. Out of this amount, $731,749 was settled through issue of 4,803,455 ordinary shares and the remainder in cash to settle related PAYG withholding liabilities.

(b) Capital Management

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

16. RESERVES

		Consolidated	
		2019	2018
		$	$
(a)	**Other Reserves**		
	Share-based payment reserve	3,307,066	2,019,099
	Foreign currency translation reserve	(96,437)	26,387
		3,210,629	**2,045,486**
(b)	**Movements**		
	Foreign exchange translation reserve		
	Balance at beginning of financial year	26,387	(982)
	Currency translation differences arising during the year	(122,824)	27,369
	Balance at end of financial year	**(96,437)**	**26,387**
	Share-based payment reserve		
	Balance at beginning of financial year	2,019,099	-
	Share-based payment valuation of awards	1,287,967	2,019,019
	Balance at end of financial year	**3,307,066**	**2,019,099**

(c) Nature and purpose of reserves

(i) Share-based payment reserve

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

(ii) Foreign exchange translation reserve

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

17. CONTINGENT LIABILITIES

The Group had no known contingencies at 30 June 2019 and 30 June 2018.

18. EVENTS AFTER THE REPORTING PERIOD

On 7 August 2019, 3,153,235 ordinary shares were issued to directors, management and staff as part of the Company's Long Term Incentive Plan which was approved by approved by shareholders at the 2017 annual general meeting (AGM).

No matter or circumstance has arisen since 30 June 2019 that has significantly affected the groups' operations, results or state of affairs, or may do so in future years.

19. RELATED PARTY TRANSACTIONS

(a) Directors loans

Directors loans and payables of $982,242 were settled in full during the period as approved at the Company's Annual General Meeting on 31 October 2018. Out of this amount, $731,749 was settled through equity consideration and the remainder in cash to settle related PAYG withholding liabilities.

(b) Shareholder Loan

As part of product licensing agreement, an amount of $500,000 is payable to Speedshield Technologies Pty Ltd, a shareholder of the Company. There is no interest charged on this loan and it is expected to be settled through future distribution fees payable to the Company.

A loan facility of $500,000 was agreed with Subhash Challa and related parties in June 2019. $320,000 of this facility was drawn down as at 30 June 2019.

20. INTEREST IN SUBSIDIARIES

The following are subsidiaries of the group, are controlled entities and have been consolidated at 30 June 2019.

(a) Controlled entities consolidated

		Equity interest*	
Name of subsidiary	**Country of incorporation**	**2019**	**2018**
SenSen Networks Group Pty Ltd	Australia	100%	100%
SenSen Networks (Hong Kong) Limited	Hong Kong	100%	100%
PT Orpheus Energy	Indonesia	100%	100%
SenSen Networks Singapore Pte Limited	Singapore	100%	100%
SenSen Video Business Intelligence PVT Ltd	India	100%	100%
Sensen Networks, Inc.	United States	100%	-

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel compensation

	Consolidated	
	2019	2018
	$	$
Short-term employee benefits	816,000	642,136
Post-employment benefits	65,170	47,181
Share-based payments	639,200	1,359,598
	1,520,370	2,048,914

Detailed remuneration disclosures are provided in the Remuneration Report on pages 30 to 38.

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

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

22. SHARE BASED PAYMENTS

The following ordinary shares and options over ordinary shares were issued in respect of the reporting year as compensation to key management personnel and other staff during the years ended 30 June 2019 and 30 June 2018.

a) Long Term Incentive Plan

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

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

b) Long Term Incentive Shares (LTI shares)

2019

On 20 March 2018, the Company issued 2,435,068 ordinary shares to key management personnel and staff as part of the Long-Term Incentive Plan. These were issued as shares on 7 August 2019.

Further awards were made to other staff members on the dates of their employment throughout the year. 718,167 shares were issued to staff in this respect on 7 August 2019.

In total, 3,153,235 shares were issued under the Long-Term Incentive Plan for 2019.

2018

On 20 March 2018, the Company granted 2,435,068 ordinary shares were issued to key management personnel and staff as part of the Long-Term Incentive Plan. These were issued as shares on 29 July 2018.

Awards under the same conditions are also payable for the financial year 2020

22. SHARE BASED PAYMENTS (Continued)

c) Long Term Incentive ("LTI") Options

The company issued both LTI Incentive Options, General Options and LTI Performance Options during the year ended 30 June 2018. There were no further issues during the year ended 30 June 2019.

LTI Incentive Options and General Options

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

22. SHARE BASED PAYMENTS (Continued)

c) Long Term Incentive ("LTI") Options (continued)

LTI Performance Options

20 March 2017, the Company granted 33,217,401 LTI Performance Options to key management personnel and other employees. These options were in two tranches based on the performance of the company for the financial years 2018 and 2019. Full details can be found below.

Issue conditions	Exercise Price
2018 Upon satisfaction of the following hurdle: • LTI Options (Performance) are only issued should the Company increase its year on year revenue, commencing from the audited revenue of $2,065,570, as reported in the 2017 Annual Report. • LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2017 to 2018 or no LTI Options (Performance) will be issued. Based on the above, 15,854,256 options were granted out of a maximum of 16,502,188 available in this tranche.	Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018
2019 Upon satisfaction of the following hurdle: • LTI Options (Performance) are only issued should the Company increase its year on year audited revenue, as reported in the 2019 Annual Report. • LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2018 to 2019 or no LTI Options (Performance) will be issued. Based on the above, zero options were granted out of a maximum of 16,714,583 available in this tranche.	Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2019

22. SHARE BASED PAYMENTS (Continued)

Share options outstanding at the end of the year follows:

2019

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other (ii)	Balance at the end of the year
30/11/2017	04/12/2020	$0.25	5,200,000	-	-	-	5,200,000
30/11/2017	04/12/2020	$0.35	5,200,000	-	-	-	5,200,000
30/11/2017	04/12/2020	$0.45	5,200,000	-	-	-	5,200,000
20/03/2018	30/09/2021	$0.18 (i)	15,854,256	-	-	-	15,854,256
20/03/2018	30/09/2022	$0.18 (i)	16,714,583	-	-	(16,714,583)	-
			48,168,839	-	-	(16,714,583)	31,454,256

2018

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other (ii)	Balance at the end of the year
30/11/2017	04/12/2020	$0.25	-	5,200,000	-	-	5,200,000
30/11/2017	04/12/2020	$0.35	-	5,200,000	-	-	5,200,000
30/11/2017	04/12/2020	$0.45	-	5,200,000	-	-	5,200,000
20/03/2018	30/09/2021	$0.18 (i)	-	16,502,818	-	(648,562)	15,854,256
20/03/2018	30/09/2022	$0.18 (i)	-	16,714,583	-	-	16,714,583
			-	48,817,401	-	(648,562)	48,168,839

(i) Exercise price is based on estimated 5-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018, 30 June 2019 and 30 June 2020.
(ii) Adjustment to account for options not vested at 30 June 2018 and 30 June 2019 due to the performance conditions not satisfied.

There were no LTI options granted during the year ended 30 June 2019.

The weighted average remaining contractual life of options outstanding at the end of the 2019 financial year is 2.42 years (2018: 3.42 years). The weighted average exercise price was $0.23.

If all of the above options to Key Management Personnel, other employees and the general options were to vest and be exercised, excluding the time value of money, the Company could receive cash proceeds of up to a maximum of $8,313,766 on the potential exercise of these options in the period from the vesting date to their expiry date which extends to 30 September 2022

d) Fair value of options granted

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

2018

Grant date	Expiry date	Share Price at grant date	Expected Volatility	Risk-free rate	Dividend yield	Fair Value at Grant Date
30/11/2017	04/12/2020	$0.17	65%	2.1%	0%	$0.0632
30/11/2017	04/12/2020	$0.17	65%	2.1%	0%	$0.0472
30/11/2017	04/12/2020	$0.17	65%	2.1%	0%	$0.0366
20/03/2018	30/09/2021	$0.18	65%	2.1%	0%	$0.0801
20/03/2018	30/09/2022	$0.18	65%	2.1%	0%	$0.0801

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $1,287,967 (2017: $2,019,099).

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

23. PARENT ENTITY INFORMATION

Parent entity information required to be disclosed in accordance with the *Corporations Act 2001*. The legal parent entity of the group is SenSen Networks Limited, and the results shown below are for the 12 months ended 30 June 2019 and 2018:

(a) Summary financial information

	Parent entity	
	2019	**2018**
	$	**$**
Statement of profit or loss and other comprehensive income		
Loss for the year	(21,222,406)	(5,628)
Other comprehensive income	-	-
Total comprehensive loss for the year	(21,222,406)	(5,628)
Statement of financial position of the parent entity at year end		
Current assets	5,312	37,366
Non-current assets	-	21,347,763
Total assets	**5,312**	**21,385,129**
Current liabilities	-	545,876
Non-current liabilities	940,428	1,283,712
Total liabilities	**(940,428)**	**1,829,587**
Net assets	**(935,116)**	**(19,555,541)**
Issued capital	40,322,041	39,590,292
Accumulated losses	(41,257,157)	(20,034,751)
Total equity	**(935,116)**	**(19,555,541)**

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

23. PARENT ENTITY INFORMATION (continued)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees at the 30 June 2019 and 30 June 2018.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 and 30 June 2018.

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

As at the 30 June 2019, the parent entity has made no contractual commitments for the acquisition of plant or equipment.

(e) Determining the parent entity financial information

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	Consolidated 2019 $	Consolidated 2018 $
Financial assets		
Cash and cash equivalents	1,972,205	6,556,928
Trade and other receivables	735,811	387,961
Contract assets	234,886	-
	2,942,902	**6,944,889**
Financial liabilities		
Trade and other payables	1,463,987	1,526,375
Contract liabilities	281,837	-
Short term loans	1,324,667	1,388,947
Long term loans	-	-
Convertible notes	-	-
	3,070,491	**2,915,322**

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

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

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

(a) Market Risk

Foreign exchange risk

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

The company reports in Australian Dollars; however, the operating currency of the Indonesian subsidiaries is the Indonesian Rupiah (IDR), the operating currency for the Hong Kong subsidiary is the HK$, and the operating currency for the Singapore subsidiary is US$. These subsidiaries currently have no activities.

At 30 June 2019 if exchange rates had increased/decreased by 500 basis points from the year end rates with all other variables held constant, the profit increase/decrease would be $7,627 (2018: $8,951).

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Interest Risk

The Group's borrowings during 2019 from Speedshield Holdings were not liable to interest.

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

Group sensitivity

At 30 June 2019 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the result would not be material at $2,250. (2018: $2,250)

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

(c) Credit Risk

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

Trade and other receivables

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

(d) Liquidity Risk

The table below reflects all contractually fixed payoffs and receivables for settlement from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2019. The amounts disclosed are undiscounted cash flows anticipated to eventuate in the next fiscal year.
Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2018.

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity Risk (continued)

2018	Total $	< 6 Mths $	6-12 Mths $	1-5 Yrs $
Financial assets				
Cash and cash deposits	6,556,928	6,556,928	-	-
Trade and other receivables	387,961	387,961	-	-
Contract assets	-	-	-	-
	6,944,889	**6,944,889**	**-**	**-**
Financial liabilities				
Trade and other payables	1,526,375	1,526,375	-	-
Contract liabilities	-	-	-	-
Short term loans	1,388,947	343,284	-	1,045,663
	2,915,322	**1,869,659**	**-**	**1,045,663**
Net maturity	**4,029,567**	**5,075,230**	**-**	**(1,045,663)**

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

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

(e) Fair value

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

25. COMMITMENTS

	Consolidated 2019 $	Consolidated 2018 $
Operating Lease Commitments		
Non-cancellable operating lease contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
- Not later than 12 months	249,265	201,609
- Between 1 and 5 years	404,595	203,076
- Later than 5 years	-	-
	653,860	**404,685**

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by the cost of living per annum.

The Company has no contingent liabilities.

ASX Additional Information (Unaudited)

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 26 September 2018.

(a) Distribution of equity securities

There are 421,707,653 fully paid ordinary shares held by 1,819 individual shareholders.

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

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

Holdings Ranges	Holders	Total Units	%
1-1,000	160	72,579	0.02
1,001-5,000	658	1,955,837	0.46
5,001-10,000	276	2,240,164	0.53
10,001-100,000	534	19,041,459	4.52
100,001 over	189	398,397,614	94.47
Totals	**1,819**	**421,707,653**	**100**
Holding less than a marketable parcel	711	1,504,494	

(b) Substantial shareholders

Name	Number	Percentage
Smart Equity EIS Pty Ltd	141,450,407	33.54%
Mr Subhash Challa	79,453,542	18.84%
Zenon Pasieczny/Saphet Capital Management Pty Ltd	46,876,258	11.12%
Speedshield Holdings Pty Ltd	28,999,266	6.88%
Mr William Moran	25,788,678	6.12%

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ASX Additional Information (Unaudited)

(c) Twenty largest holders of quoted equity securities

	Ordinary shareholders	Fully Paid	
		Number	Percentage
1.	SMARTEQUITY EIS PTY LTD	141,450,407	33.54
2.	SPEEDSHIELD HOLDINGS PTY LTD	28,999,266	6.88
3.	MR SUBHASH CHALLA	28,778,002	6.82
4.	SAPHET CAPITAL MANAGEMENT PTY LTD	22,262,395	5.28
5.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	19,687,576	4.67
6.	MR FRANCIS ALAN ALEXANDER WHITAKER	9,603,448	2.28
7.	MR WILLIAM MORAN	9,232,976	2.19
8.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,563,580	1.79
9.	CITICORP NOMINEES PTY LIMITED	7,410, 514	1.76
10.	MR SATISH GUPTA	6,874,701	1.63
11.	GASMERE PTY LTD	6,021,000	1.43
12.	MR DAVID EDWARD SMITH	5,050,654	1.20
13.	MR WAYNE MITCHELL	5,002,207	1.19
14.	MR VENKATESWARA PRASAD GUNUPATI	4,822,335	1.14
15.	MRS LAXMI CHALLA	4,100,616	0.97
16.	TAT CAPITAL PTY LTD	3,209,201	0.76
17.	SISU INTERNATIONAL PTY LTD	3,158,621	0.75
18.	TR NOMINEES PTY LTD	2,710,000	0.64
19.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,275,142	0.54
20.	MRS LAXMI CHALLA	2,248,188	0.53
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	320,460,829	75.99
	Total Remaining Holders Balance	101,246,824	24.01

UNQUOTED SECURITIES

There are no unquoted securities at 30 June 2019.