REMSENSE PTY LTD

ABN 27 160 778 423

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2020

CONTENTS

Directors' Report..1
Auditor's Independence Declaration..4
Statement of Profit or Loss and Other Comprehensive Income 5
Statement of Financial Position 6
Statement of Changes in Equity 7
Statement of Cash Flows 8
Notes to the Financial Statements...9
Directors' Declaration 40
Independent Auditor's Report..41
Corporate Directory 44

DIRECTORS' REPORT

The directors present their report, together with the financial statements, of RemSense Pty Ltd (referred to hereafter as the 'Company') at the end of, or during, the year ended 30 June 2020.

DIRECTORS

The names of the directors who held office during the whole of the financial year and up to the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Stephen Brown	Managing Director	Appointed 15 October 2012
Chris Sutherland	Non-executive Chairman	Appointed 28 August 2020
Ross Taylor	Non-executive Director	Appointed 28 August 2020
John Clegg	Non-executive Director	Appointed 16 July 2019 Resigned 11 July 2020
David Endersby	Non-executive Director	Appointed 9 November 2019 Resigned 12 March 2021
William Sashegyi	Non-executive Director	Appointed 9 November 2019 Resigned 22 July 2020
John Stanley	Non-executive Director	Appointed 5 August 2020 Resigned 12 March 2021
Richard Pace	Non-executive Director	Appointed 20 September 2020 Resigned 5 May 2021

PRINCIPAL ACTIVITIES

During the financial year the principal activities of the Company are technology development and systems engineering services across a range of markets and applications in Western Australia.

OPERATING RESULTS

The loss for the financial year ended 30 June 2020 attributable to members of RemSense Pty Ltd after income tax was $247,975 (2019: loss of $71,036).

The Company has a working capital deficit of $194,526 (2019: deficit of $189,737) and had net cash inflows of $36,687 (2019: net cash outflow of $3,877).

REVIEW OF OPERATIONS

On 28 September 2019, Sci Aero Group Pty Ltd (**SAG**) sold its investment in RemSense Pty Ltd (the Company) to RemSense Holdings Pty Ltd. By 31 December 2019, all the remaining assets and liabilities of SAG were acquired by the Company at their book values with new chattel mortgages negotiated with National Australia Bank Limited.

From 1 January 2020, major engineering project contracts, formerly with Sci Aero Technology Pty Ltd (SAT), were assigned to the Company with the combined operations conducted as RemSense Pty Ltd in Balcatta. The Company signed a lease agreement in January 2020 for an office in the Perth CBD to act as the administrative head office and to accommodate the technical engineering services department.

During the year, Virtual Reality projects were trialled and tested for Woodside Petroleum Limited (WPL) which was the first engineered project and technology solution development considered for future commercial licensing options.

The Company was impacted by COVID-19 with extensive site access restrictions resulting in a reduced revenue stream, but despite the business slowdown for business development, the Company reported sales revenue of $2,171,550.

Corporate

On 6 March 2020, the Company performed a 15,924 for 1 stock split of its shares.

On 24 March 2020, the Company raised $66,915 through the issue of 905,560 fully paid ordinary shares at 7.39 cents each.

On 3 April 2020, the Company negotiated a three-years loan with National Australian Bank for working capital initiatives, personally guaranteed by three shareholders.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As disclosed in the Review of Operations, the Company completed a complex reconstruction as part its divestment from SAG.

LIKELY DEVELOPMENTS

The Company is focussed on further developing its engineering and technology development capability and to seek ASX listing to provide funds to pursue these developments.

ENVIRONMENTAL REGULATIONS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed in note 6.3 of the notes to the financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Directors.

STEPHEN BROWN
Managing Director

9 July 2021
Perth, WA

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Subiaco, WA 6008
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Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF REMSENSE PTY LTD

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

1. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of RemSense Pty Ltd.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 9 July 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	2.1	2,171,550	1,117,757
Government grants	2.1	209,580	-
Other income	2.2	16,493	17,100
Cost of sales	2.1	(1,561,650)	(780,337)
Other operating expenses	2.1	(5,093)	(9,196)
Marketing and business development		(42,596)	(15,226)
Personnel expenses	2.4	(270,644)	(243,693)
General and administration		(169,564)	(104,127)
Professional fees		(88,700)	(26,122)
Depreciation	3.1	(148,730)	(19,503)
Amortisation – right of use assets	3.2	(43,508)	-
Company reconstruction expenses		(214,823)	-
Other losses	3.1	(43,277)	-
Results from operating activities		**(190,962)**	**(63,347)**
Finance costs	2.3	(57,013)	(7,689)
Loss before income tax		(247,975)	(71,036)
Income tax expense	2.5	-	-
Loss for the year		**(247,975)**	**(71,036)**
Total comprehensive loss for the year		(247,975)	(71,036)
Total comprehensive loss attributable to owners of the Company		**(247,975)**	**(71,036)**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents	4.1	42,395	5,709
Trade and other receivables	4.2	208,473	120,271
Inventory	2.2	5,000	10,000
Contract assets		78,300	-
Prepayments		22,417	14,397
Total current assets		356,585	150,377
Property, plant, and equipment	3.1	197,997	149,061
Right of use assets	3.2	225,026	-
Intangible assets		5,400	-
Total non-current assets		428,423	149,061
Total assets		**785,008**	**299,438**
Liabilities			
Trade and other payables	4.3	96,388	70,862
Borrowings	5.2	294,166	176,308
Lease liabilities	5.3	76,807	-
Employee benefits	2.4	83,750	92,944
Total current liabilities		551,111	340,114
Borrowings	5.2	311,854	20,547
Lease liabilities	5.3	153,295	-
Employee benefits	2.4	36,532	25,501
Total non-current liabilities		501,681	46,048
Total liabilities		1,052,792	386,162
Net deficiency		**(267,784)**	**(86,724)**
Equity			
Share capital	5.1	226,995	160,080
Accumulated losses		(494,779)	(246,804)
Total deficiency		**(267,784)**	**(86,724)**

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

	Issued capital $	Accumulated losses $	Total equity $
Balance on 1 July 2018	160,080	(175,768)	(15,688)
Loss after income tax expense for the year	-	(71,036)	(71,036)
Total comprehensive loss for the year	-	(71,036)	(71,036)
Balance on 30 June 2019	**160,080**	**(246,804)**	**(86,724)**
Balance on 1 July 2019	160,080	(246,804)	(86,724)
Loss after income tax expense for the year	-	(247,975)	(247,975)
Total comprehensive loss for the year	-	(247,975)	(247,975)
Transactions with owners in their capacity as owners			
Contributions of equity (note 5.1)	66,915	-	66,915
Balance on 30 June 2020	**226,995**	**(494,779)**	**(267,784)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,820,083	635,440
Government grants	2.2	197,079	-
Cash paid to suppliers and employees		(2,243,345)	(1,098,876)
Interest paid		(51,468)	(1,915)
Net cash used in operating activities	4.1(b)	(277,651)	(465,351)
Cash flows from investing activities			
Payments for property, plant, and equipment		(87,445)	(156,950)
Payments for intangible assets		(400)	-
Net cash used in investing activities		(87,845)	(156,950)
Cash flows from financing activities			
Proceeds from issue of shares and options		66,915	-
Proceeds from bank loans		250,000	-
Proceeds from related entity loans		185,863	661,420
Proceeds from director loans		275,718	172,917
Repayment of director loans		(279,083)	(178,790)
Proceeds from shareholder loans		140,000	-
Repayment of shareholder loans		(98,046)	(28,753)
Repayment of premium funding facilities		(61,391)	-
Repayment of chattels and mortgages		(37,646)	(4,892)
Repayment of right of use lease liabilities		(38,431)	-
Payment of transaction costs related to loans		(1,717)	(3,478)
Net cash from financing activities		402,182	618,424
Net increase / (decrease) in cash and cash equivalents		36,686	(3,877)
Cash and cash equivalents on 1 July		5,709	9,586
Cash and cash equivalents on 30 June	4.1(a)	42,395	**5,709**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

SECTION 1 GENERAL INFORMATION

The financial statements cover RemSense Pty Ltd as a Company at the end of, or during the year. The financial statements are presented in Australian dollars, which is the functional and presentation currency for the Company.

RemSense Pty Ltd is a Company limited by shares, incorporated, and domiciled in Australia. Its registered office and principal place of business are:

Registered Office	**Principal Office**
Level 1, 31 Cliff Street Fremantle WA 6000	Suite 166, 580 Hay Street Perth WA 6000

A description of the nature of the Company's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 July 2021. The directors have the power to amend and reissue the financial statements.

1.1 BASIS OF PREPARATION

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

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.4.

1.2 FOREIGN CURRENCIES

The primary economic environment in which the Company operates is Australia. The financial statements are therefore presented in Australian dollars.

1.3 GOING CONCERN

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. For the year ended 30 June 2020, the Company incurred an operating loss of $247,975 and had net cash outflow from operating activities of $106,980. The Company had a net liability position of $267,784 on 30 June 2020.

These conditions indicate a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are aware that the Company's ability to continue as a going concern, and thereby pay its debts as and when they fall due, is contingent on the Company securing further working capital through capital raisings or long-term loans. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have reviewed the Company's financial position and forecast cash flows and reasonably expect that the Company will be able to raise additional funds to meet future costs and satisfy its business plans either by further capital raisings or long-term loans from its directors and shareholders as has been demonstrated in the past.

The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances. Notwithstanding this assessment, there is material uncertainty regarding the outcomes of the future funding alternatives.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

1.4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Determination of variable consideration

Judgement is exercised in estimating variable consideration where services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

1.4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available. The allowance for expected credit losses, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with the attached conditions. In respect of COVID related government grants receiving during the year, the Company was deemed to be eligible to receive the grants under the conditions attached to the grants and have complied with the relevant conditions in order to recognised them as income during the year.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumption on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Refer note 6.1.

Fair value of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Estimation of useful lives of assets

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

Income tax

The Company is subject to income taxes in the jurisdiction in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

1.4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been accounted for.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of business development and the geographic regions in which the Company operates particularly the trials for the Virtual Reality Plant. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

1.5 CURRENT AND NON-CURRENT CLASSIFICATION

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

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

A liability is classified as current when it is either expected to be settled in the Company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting date, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date. All other liabilities are classified as non-current.

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

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Company.

2.1 REVENUE

Accounting Policy

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods and services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

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

Contract assets
Contract assets are recognised when the Company has transferred goods and services to the customer but where the Company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

The Company's disaggregation of revenue from contracts with customers is as follows:

	2020 $	2019 $
Timing of revenue recognition		
Rendering of services transferred at a point in time	390,071	433,757
Rendering of services transferred over time	1,780,679	684,000
	2,171,550	1,117,757
Contract assets		
Accrued income	78,300	-

2.2 OTHER INCOME

Accounting Policy

Government grants

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

All other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Company.

	Note	2020 $	2019 $
Job Keeper allowance		117,000	-
PAYG cash flow boost		62,500	-
Entrepreneur's Programme Grant	(i)	30,080	-
Insurance refund		-	17,100
Other income		16,493	-
		226,703	**17,100**

(i) The Company incurred expenditure for external strategic advice for corporate growth initiatives. Under The Australian Government, Entrepreneurs' Programme – Business Management – Growth Services, grants were approved, and the company received payments totalling $30,080.

2.3 FINANCE COSTS

Accounting Policy

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

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

	Note	2020 $	2019 $
Interest expense on financial liabilities measured at amortised cost			
Interest expense on bank loans	5.2	1,784	-
Interest expense on loans received from related parties	5.2	17,023	2,296
Interest expense on loans received from shareholders	5.2	15,288	-
Interest expense on chattels and mortgages	5.2	4,878	1,915
Interest expense on premium funding	5.2	4,954	-
Interest expense on lease liabilities	5.3	11,369	-
Other finance charges		1,717	3,478
Total finance costs		**57,013**	**7,689**

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

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

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

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

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)

The table below sets out personnel costs expensed during the year.

	Note	2020 $	2019 $
Directors' remuneration	6.2	235,936	208,460
Staff salaries		890,655	491,836
Superannuation expense		80,569	45,386
Annual leave expense		28,510	26,132
Long service leave expense		8,449	13,820
Other associated personnel expenses		8,642	-
		1,252,761	785,634
Expensed in cost of sales		982,117	541,941
Expensed in personnel expenses		270,644	243,693
		1,252,761	785,634

The table below sets out employee benefits at the reporting date.

	2020 $	2019 $
Current		
Liability for annual leave	83,750	55,271
Salary accrual	-	34,526
Statutory superannuation contributions	-	3,147
	83,750	92,944
Non-current		
Liability for long service leave	36,532	25,501

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

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

	2020 $	2019 $
	25,955	11,698

2.5 INCOME TAX EXPENSE

Accounting Policy

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

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

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

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

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

Deferred tax liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses, and assets are recognised net of the amount of, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

2.5 INCOME TAX EXPENSE (continued)

(a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Deferred tax benefit	-	-
Loss for the period	(247,975)	(71,036)
Total income tax benefit / (expense)	-	-
Profit / (loss) excluding income tax	(247,975)	(71,036)
Income tax using the Company's domestic tax rate of 27.5% (2019: 27.5%)	(68,193)	(19,535)
Non-deductible expenses	4,770	960
Non-assessable income	(36,184)	-
Adjustment for prior periods	(15,105)	844
Timing differences	24,400	(12,649)
Tax losses utilised not previously brought to account	90,312	30,380
Income tax expense	-	-

2.5 INCOME TAX EXPENSE (continued)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to $158,922 (2019: $68,429) attributed to tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised,
ii) the conditions for deductibility imposed by tax legalisation continue to be complied with,
iii) no changes in tax legislation adversely affect the Company in realising the benefit, and
iv) satisfaction of either the continuity of ownership or the same business test.

(c) Unrecognised deferred tax assets and liabilities

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

	2020 $	2020 $
Deferred tax liabilities		
Prepaid expenditure	(6,165)	(3,959)
Property, plant, and equipment	(16,155)	(20,796)
	(22,320)	(24,755)
Deferred tax assets		
Right of use assets	11,965	-
Employee benefits	33,077	23,078
Carry forward tax losses	137,472	68,429
	182,514	91,507
Net unrecognised deferred tax assets	160,194	66,751

SECTION 3 ASSETS AND LIABILITIES SUPPORTING OPERATIONS

This section focuses on the assets and liabilities which form the core of the ongoing business as well as capital and other commitments existing at the year end.

3.1 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

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

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

Plant and equipment	2 – 5 years
Mobile equipment and motor vehicles	8 years
Communication and computer equipment	2 – 6 years

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

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

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

3.1 PROPERTY, PLANT AND EQUIPMENT (continued)

	2020 $	2019 $
Plant and equipment – at cost	238,987	108,472
Less: accumulated depreciation	(106,279)	(7,965)
	132,708	100,507
Furniture and office equipment – at cost	2,062	-
Less: accumulated depreciation	(367)	-
	1,695	-
Communication and computer equipment – at cost	70,287	20,705
Less: accumulated depreciation	(30,223)	(3,525)
	40,064	17,180
Mobile equipment and motor vehicles – at costs	58,409	58,409
Less: accumulated depreciation	(34,879)	(27,035)
	23,530	31,374
	197,997	149,061

Reconciliations

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

	Plant & equipment $	Furniture & office Equipment $	Computer & comms Equipment $	Mobile Equipment & motor Vehicles $	Total $
Balance on 1 July 2018	1,071	-	-	10,543	**11,614**
Additions	107,381	-	20,705	28,864	**156,950**
Depreciation expense	(7,945)	-	(3,525)	(8,033)	**(19,503)**
Balance on 30 June 2019	100,507	-	17,180	31,374	**149,061**
Additions	189,299	2,062	49,582	-	**240,943**
Impairment	(43,277)	-	-	-	**(43,277)**
Depreciation expense	(113,821)	(367)	(26,698)	(7,844)	**(148,730)**
Balance on 30 June 2020	**132,708**	**1,695**	**40,064**	**23,530**	**197,997**

3.2 RIGHT-OF-USE ASSETS

Accounting Policy

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except when included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

	2020 $	2019 $
Land and buildings – right of use	268,534	-
Less: accumulated amortisation	(43,508)	-
	225,026	-

Additions to the right-of-use assets during the year were $153,281.

The Company leases land and buildings for its offices and aerial imaging operations, under agreements of between three and five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Company and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

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

(a) Reconciliation of cash recorded in Statement of Financial Position to Statement of Cash Flows

	2020 $	2019 $
Cash and cash equivalents in the statement of cash flows	42,395	5,709

(b) Reconciliation of cash flows from operating activities

	2020	2019
Cash flows from operating activities		
Loss for the period	(247,975)	(71,036)
Adjustments for:		
Finance expense	1,717	3,478
Depreciation and amortisation	192,238	19,503
Impairment of property, plant, and equipment	43,277	-
Company reconstruction expenses	22,611	-
Change in trade and other receivables	(88,458)	71,097
Change in prepayments	(8,020)	(14,397)
Change in inventories	5,000	(10,000)
Changes in contract assets	(78,300)	-
Change in trade and other payables	(186,796)	(474,556)
Change in interest bearing liabilities	65,218	(106,064)
Change in employee benefits provision	1,837	83,824
Net cash used in operating activities	(277,651)	(498,151)

(c) Non-cash investing and financing activities

	2020	2019
Additions to the right-of-use assets	153,281	-
Additions to property, plant, and equipment by means of leases	153,498	32,800

4.1 CASH AND CASH EQUIVALENTS (continued)

(d) Changes in liabilities arising from financing activities

	Bank loans $	Director loans $	Shareholder loans $	Chattels & mortgages $	Premium funding $	Right of use assets $	Related entity loans $	Total $
Balance on 1 July 2018	-	141,822	11,022	-	-	-	-	152,844
Net cash from / (used in) financing activities	-	(5,873)	(28,753)	(4,892)	-	-	661,420	621,902
Acquisition of property, plant, and equipment	-	-	-	32,800	-	-	-	32,800
Supplier invoices paid by related parties	-	(126,092)	17,731	-	-	-	179,374	71,013
Sales to related entities	-	-	-	-	-	-	(684,000)	(684,000)
Interest on related party loans	-	2,296	-	-	-	-	-	2,296
Balance on 30 June 2019	-	12,153	-	27,908	-	-	156,794	196,855
Net cash from / (used in) financing activities	250,000	(3,364)	41,954	(37,646)	(61,391)	(38,432)	185,863	336,984
Premium funding facility	-	-	-	-	61,391	-	-	61,391
Acquisition of property, plant, and equipment	-	-	-	153,498	-	-	-	153,498
Right of use lease liabilities	-	-	-	-	-	268,534	-	268,534
Company reconstruction expenses	-	118,358	43,159	-	-	-	(342,657)	(181,140)
Balance on 30 June 2020	250,000	127,147	85,113	143,760	-	230,102	-	836,122

4.2 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 14 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	2020 $	2019 $
Current		
Trade receivables	192,723	120,271
Other receivables	15,750	-
	208,473	120,271

Provision for expected credit losses

The Company has not recognised a provision for expected credit losses for the year ended 30 June 2020 as credit risk has not increased significantly since initial recognition. Payment of invoices by customers takes an average of 24 days (2019: 77 days).

The ageing of trade receivables is as follows:

	2020 $	2019 $
Not overdue	190,608	65,289
0 to 3 months overdue	2,115	54,982
	192,723	120,271

Note 6.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

4.3 TRADE AND OTHER PAYABLES

Accounting Policy

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

	Note	2020 $	2019 $
Current			
Trade payables		62,602	25,028
Other payables		2,100	4,766
Authorised government agencies		31,687	41,068
		96,389	70,862

Refer to Note 6.1 for further information on financial instruments.

SECTION 5 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Company at year end, most notably covering share capital and loans and borrowings.

5.1 CAPITAL AND RESERVES

Accounting Policy

Ordinary shares are classified as equity.

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

Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	2020	2019	2020	2019
Balance on 1 July	**160**	**160**	**160,080**	**160,080**
A 15,924 to 1 stock split of shares	2,547,670	-	-	-
Issue of fully paid shares for cash	905,560	-	66,915	-
Balance on 30 June	**3,453,390**	**160**	**226,995**	**160,080**

On 6 March 2020, the Company performed a 15,924 for 1 stock split of its shares.

5.2 LOANS AND BORROWINGS

Accounting Policy

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

	Book value 2020 $	Fair value 2020 $	Book value 2019 $	Fair value 2019 $
Current				
Loans received from directors	127,148	127,148	12,153	12,153
Loans received from shareholders	85,113	85,113	-	-
Chattel mortgage	81,905	81,905	7,361	7,361
Loans received from a related entity	-	-	156,794	156,794
Balance	**294,166**	**294,166**	**176,308**	**176,308**
Non-current				
Bank loans	250,000	250,000	-	-
Chattel mortgage	61,854	61,854	20,547	20,547
Balance	**311,854**	**311,854**	**20,547**	**20,547**

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Note	2020 $	2019 $
Total facilities			
Related party loans	6.2	150,000	150,000
Shareholder loans	(i)	140,000	-
Bank loans	(ii)	250,000	-
Used at the reporting date			
Related party loans		127,148	12,153
Shareholder loans		85,113	-
Bank loans		250,000	-
Unused at the reporting date			
Related party loans		22,852	137,847
Shareholder loans		54,887	-
Bank loans		-	-

(i) A shareholder provided cash loans to the Company, accruing interest at 15% per annum, pro rata. $38,046 was repaid on 15 May 2020 including interest expense of $7,936 (2019: $nil) accrued to 30 April 2020. Effective 30 April 2020, new terms were agreed, whereby interest would accrue at 6% per annum for the balance of this loan and $39,351 assigned by Sci Aero Group previously earning interest at 8% per annum (interest expense was $1,049). Interest expense on these combined loans accrued interest at 6% was $$1,886 (2019: $nil) and the balance outstanding was $85,113 (2019: $nil).

(ii) The Company negotiated a three years' interest only Business Loan secured against the business, its assets, and personal guarantees from Stephen Brown, John Clegg and Richard Pace, directors of the Company. The loan expires on 28 April 2023. Interest expense to 30 June 2020 was $1,784 (2019: $nil) and the balance outstanding was $250,000 (2019: $nil).

5.2 LOANS AND BORROWINGS (continued)

	Bank loans $	Loans from directors (2) $	Loans from shareholders $	Chattel mortgage $	Premium funding $	Loans from a related entity $	Total $
Balance on 1 July 2018		141,822	11,022	-	-	-	152,844
Loans and borrowings received	-	172,917	-	-	-	661,420	834,337
Financing from chattel mortgage	-	-	-	32,800	-	-	32,800
Supplier invoices paid on behalf of the Company	-	80,753	17,731	-	-	179,374	277,858
Supplier invoices paid on behalf of related entities	-	(206,844)	-	-	-	-	(206,844)
Sales invoices to related entities	-	-	-	-	-	(684,000)	(684,000)
Interest charged	-	2,296	-	1,915	-	-	4,211
Less: repaid (1)	-	(178,791)	(28,753)	(6,807)	-	-	(214,351)
Balance on 30 June 2019	-	12,153	-	27,908	-	156,794	196,855
Loans and borrowings received	250,000	275,719	140,000	-	-	185,863	851,582
Financing of chattel mortgage	-	-	-	153,498	-	-	153,498
Financing of premium funding facility	-	-	-	-	61,391	-	61,391
Transfer of loans on Company reconstruction	-	115,207	41,273	-	-	(156,480)	-
Company reconstruction expenses	-	-	-	-	-	(146,394)	(146,394)
Interest charged	1,784	17,023	15,288	4,878	4,954	-	43,927
Less repaid (1)	(1,784)	(292,954)	(111,448)	(42,525)	(66,345)	(39,783)	(554,839)
Balance on 30 June 2020	**250,000**	**127,148**	**85,113**	**143,759**	**-**	**-**	**606,020**

(1) amounts repaid include interest and loan establishment costs

(2) refer to note 6.2 for further details.

5.3 LEASE LIABILITIES

Accounting Policy

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that to not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index, or a rate used
- residual guarantee
- lease term, or
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Incremental borrowing rate (IBR)

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment. The Company uses and IBR of between 7% and 8.50%.

	2020 $	2019 $
Opening balance	-	-
Recognised on 1 July 2019 on adoption of AASB 16	115,253	-
Additions	153,280	-
Interest charged	11,369	-
Less principal repayments	(49,800)	-
Lease liabilities included in the statement of financial position	**230,102**	**-**
Current	76,807	-
Non-current	153,295	-
	230,102	**-**

Refer to Note 6.1 for further information on financial instruments.

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Company. Other mandatory disclosures, such as details of related party transactions, can also be found here.

6.1 FINANCIAL INSTRUMENTS

Accounting Policy

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent remeasurement of financial assets
<u>Financial assets at amortised cost</u>
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

6.1 FINANCIAL INSTRUMENTS (continued)

Accounting Policy (continued)

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

Impairment of financial assets
AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category. The Company does not have any material expected credit losses.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities
The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

6.1 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged from 2018.

The capital structure of the Company consists of cash and cash equivalents, borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Financial risk management objectives

The Company is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Company's activities. The Company does not trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates.

There has been no change to the Company's exposure to market risks or the manner it manages and measures the risk from the previous period.

Interest rate risk management

The Company is exposed to interest rate risk as entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

The Company's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

<u>Interest rate risk sensitivity analysis</u>

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date, if interest rates had been 100 points higher or lower and all other variables were held constant, the Company's profit or loss would increase / (decrease) by $2,500.

The Company's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

6.1 FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, confirming references, and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognise financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes the financial statements. The Company does not hold any collateral.

The Company has adopted a lifetime expected credit loss allowance in estimating expected credit losses to trade receivables through a matrix using overdue days. This provision is considered representative across all customers based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 4.2, no provision for expected credit loss has been made.

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium, and long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Non-derivative financial liabilities

The following table details the Company's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Company can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months $	6 months to 1 year $	1 – 5 years $
30 June 2020				
Trade and other payables	n/a	96,389	-	-
Borrowings (including right of use lease liabilities)	4.66	77,825	293,148	250,000
		174,214	**293,148**	**250,000**
30 June 2019				
Trade and other payables	n/a	108,535	-	-
Borrowings (including right of use lease liabilities)	3.84	3,561	3,800	20,547
		112,096	**3,800**	**20,547**

6.1 FINANCIAL INSTRUMENTS (continued)

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers

There have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2019.

Not measured at fair value

The Company has various financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation to their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

6.2 RELATED PARTIES

Accounting Policy

Key management personnel compensation

Directors' remuneration is expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(a) Key management personnel compensation

Key management personnel compensation comprises the following:

	2020 $	2019 $
Short-term employee benefits	214,448	188,231
Long-term employee benefits	2,582	3,471
Post-employment benefits	18,906	16,758
	235,936	208,460

(b) Other key management personnel transactions

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

Stephen Brown

Imaging Properties Pty Ltd, a company for which Stephen Brown is a Director, received $41,655 (2019: $46,060) in repayment for the commercial, arms-length lease and variable outgoings of the Gibberd Road, Balcatta, premises. The balance outstanding on 30 June 2020 was $4,148 (2019: $3,652).

Fiona Brown, a related party to Stephen Brown, provided a cash loan to the Company, accruing interest at 15% per annum, pro rata. This loan replaced the $150,000 overdraft facility provided by Stephen Brown. On 18 May 2020, the outstanding balance of $44,578 was assigned to Stephen as part of the Company reconstruction. The new loan accrues interest at 6% per annum, pro rata. Interest expense to 30 June 2020 was $14,314 (2019: $2,296) and the balance outstanding on 30 June 2020 was $45,021 (2019: $12,154).

Fiona Brown, a related party to Stephen Brown, received a salary for her role as Administration and Finance Officer.

John Clegg

Omnivest Business Consultants, a Company for which John Clegg is a Director, received $45,215 (2019: $26,400) in repayment for commercial, arms-length consulting services. The balance outstanding on 30 June 2020 was $7,517 (2019: $nil).

As part of the Company reconstruction, loans from a related entity were assigned to the Company. As per a shareholder agreement, John provided an additional cash loan to increase his liability in line with his respective percentage equity, accruing interest at 6%. Interest expense to 30 June 2020 was $892 (2019: $nil) and the balance outstanding was $26,716 ($26,716).

Richard Pace

V R Pace Corporation Pty Ltd, a Company for which Richard Pace is a Director, received $13,750 (2019: $nil) in repayment for commercial, arms-length marketing services. The balance outstanding on 30 June 2020 was $1,375 (219: $nil).

As part of the Company reconstruction, loans from a related entity were assigned to the Company. As per a shareholder agreement, Richard provided an additional cash loan to increase his liability in line with his respective percentage equity, accruing interest at 6%. Interest expense to 30 June 2020 was $1,817 (2019: $nil) and the balance outstanding was $55,411 ($26,716).

6.2 RELATED PARTIES (continued)

(c) Other related party transactions

The following transactions occurred with related parties during the operational restructure as disclosed in the Review of Operations:

	2020 $	2019 $
Revenue for services - Sci Aero Group Pty Ltd	-	(384,000)
Revenue for services - Sci Aero Technology Pty Ltd	(1,741,680)	(300,000)
Payment for goods and services – Sci Aero Group Pty Ltd	-	179,374
Loans / (repayment of loans) from Sci Aero Group Pty Ltd	33,665	509,060
Loans / (repayment of loans) from Sci Aero Technology Pty Ltd	152,198	152,360

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2020 $	2019 $
Current payables – due to:		
Sci Aero Group Pty Ltd	-	139,674
Sci Aero Technology Pty Ltd	-	17,119

All transactions were made on normal commercial terms and conditions with no interest charged.

6.3 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 11 December 2020, the Company issued 43,103 shares at $2.90 per share to partially extinguish director and shareholder loans.

On 11 December 2020, the Company raised $70,001 through the issue of 24,139 fully paid shares at $2.90 each to three new directors.

On 12 March 2021, the Company issued 46,862 shares at $2.32 per share to extinguish the balance of director and shareholder loans.

On 12 March 2021, the Company issued 16,809 bonus shares at 1 cent each to shareholders who partook in the December 2020 capital raising.

On 12 March 2021, the Company raised $200,000 through the issue of 86,207 fully paid seed capital at $2.32 per share.

On 26 April 2021, the Company was acquired by a newly formed entity, RemSense Technologies Limited (REM). REM was established in March 2021 as a vehicle for listing RemSense Pty Ltd on the Australian Securities Exchange, and as such, has acquired 100% of the share capital of RemSense Pty Ltd in a reverse acquisition scenario for a total of 50 million shares at $0.16 per share. The Boards of REM and RemSense Pty Ltd were consistent with one another at the time of acquisition.

6.3 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (continued)

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than as disclosed above, there have been no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

6.4 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Company has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

AASB 16 Leases

Change in accounting policy
The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and low-vale assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a deprecation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The net impact on retained earnings on 1 July 2019 was $nil.

Reconciliation of operating lease commitments previously disclosed as lease liabilities on 1 July 2019
Below is a reconciliation of total operating lease commitments as of 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

	1 July 2019 $
Operating lease commitments as disclosed in the 2019 Annual Report	**135,000**
Discounted using the lessee's incremental borrowing rate at the date of initial application	115,253
Lease liabilities as of 1 July 2019	115,253

6.4 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED (continued)

AASB 16 Leases (continued)

When adopting AASB 16 from 1 July 2019, the Company has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics
- accounting for leases with a remaining lease term of 12 months as of 1 July 2019 as short-term leases
- excluding any initial direct costs when measuring right-of-use assets
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease, and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company.

6.5 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these financial statements, the Company has not applied the following new and revised accounting standards and interpretations that have been issued but are not yet effective:

AASB 10 and AASB 128	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to AASB 3	*Definition of a business*
Amendments to AASB 101 and AASB 108	*Definition of material*
Amendments to references to the Conceptual Framework in Accounting Standards	

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the attached financial statements and notes comply with Accounting Standards and other mandatory professional reporting requirements.
2. the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1.1 to the financial statements.
3. the attached financial statements and notes give a true and fair view of the Company's financial position on 30 June 2020 and of its performance for the financial year ended on that date; and
4. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

On behalf of the directors.

Stephen Brown
Managing Director

9 July 2021
Perth

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INDEPENDENT AUDITOR'S REPORT

To the members of Remsense Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Remsense Pty Ltd (the Entity), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1.3 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 Entity's ability to continue as a going concern and therefore the entity 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.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 9 July 2021

CORPORATE DIRECTORY

Directors

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Mr Stephen Brown
Mr Ross Taylor

Secretary

Mr David McArthur

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