BIGTINCAN HOLDINGS LIMITED

Group accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a. Basis of consolidation

i.) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

ii.) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

b. Foreign currency

i.) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Group entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit and loss. Non-monetary items that are measured based on of historical cost in a foreign currency are not translated.

c. Revenue and income

We generate revenue from four sources: (i) subscription revenue, (ii) product related professional services, (iii) non-product related contract services and (iv) other income.

i.) Subscription and support revenue

Subscription and support revenue comprises the recurring monthly fees from customers accessing BigTinCan's cloud-based application - bigtincan hub and support fees from customers purchasing support. Subscription and support agreements are entered into for 12-36 months or invoiced monthly in arrears, with no set contractual term. Revenue is recognised as the services are provided to the customer (based on the agreed subscription and support start and end dates). Unbilled revenue at year end is recognised in the statement of financial position as deferred revenue and disclosed separately.

ii.) Product related professional services

Revenue from product related professional services includes education and training, data integration, data migration and client specific configuration. Revenue is recognised as the services are provided to the customers. Unbilled revenue at year end is recognised in the statement of financial position as deferred revenue and disclosed separately.

iii.) Non-product related contract services

Revenue from non-product related services includes project-specific development services generally performed in Sydney for very large customers. Revenue is recognised in accordance with project milestones achieved and signed off as per detailed Statement of Work terms. Unbilled revenue at year end is recognised in the statement of financial position as deferred revenue and disclosed separately.

iv.) Other income

Other income comprises revenue from Government grants. Government grants are recognised at their fair value where there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received.

d. Employee entitlements

i.) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii.) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards, pending exercise of vested options by the participant. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

e. Finance income and finance costs

The Group's finance income and finance costs include interest income and interest expenses. Interest income or expenses is recognised using the effective interest method.

f. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

i.) Current tax

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

Current tax assets and liabilities are offset only if certain criteria are met.

ii.) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- Temporary differences related to investment in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductable temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

g. Property, plant and equipment

i.) Recognition and measurement

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

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii.) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

iii.) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss.
The estimated useful lives of property, plant and equipment are as follows:

- Computer equipment: 2 years
- Office equipment: 3 years

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

h. Intangible assets

i.) Research and development

Expenditure on research and development activities are recognised in profit and loss as incurred and recouped through the Research and Development Tax Incentive with AusIndustry.

ii.) Other intangible assets

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

iii.) Subsequent expenditure

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

iv.) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.
The estimated useful lives are as follows:

- Intellectual property: 10 years
- Licenses: 10 years

- Customer list: 10 years

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

i. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into other financial liabilities category.

i.) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows for the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers or retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii.) Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially recognised at fair value plus any direct attributable transaction costs. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any direct attributable transaction costs. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any direct attributable transaction costs. Subsequently to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss in equity is reclassified to profit or loss.

iii.) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any direct attributable transaction costs. Subsequently to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

j. Share capital

i.) Ordinary shares

Incremental costs directly attributable to the issue of ordinary share, net of any tax effects. Are recognised as a deduction from equity.

ii.) Preference shares

The Group's preference shares are non-redeemable and therefore classified as equity, because they bear discretionary dividends, do not contain any obligation to deliver cash or other financial assets and do not require settlement in a variable number of Group's equity instruments. Discretionary dividends thereon are recognised as distributions upon approval by the Group's shareholders.

k. Impairment

i.) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence that it is impaired.
Objective evidence that financial assets are impaired include:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is a measurable decrease in expected cash flows form a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at both a specific asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise, it is reversed through OCI.

Equity accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

ii.) Non-financial assets

At each reporting date, the Group reviews carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For any other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.