identitii Pty Ltd - Special Purpose Financial Report

identitii Pty Ltd
ABN 83 603 107 044
For the year ended 30 June 2016

Prepared by Vital Addition

Contents

Directors Report

identitii Pty Ltd
For the year ended 30 June 2016

The directors present their report together with the financial report of identitii Pty Ltd ("the Company") for the year ended 30 June 2016 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Nicholas Armstrong	Appointed 24 November 2014
B Sc (Psych / Hum. Geo.)	

2. Principal activities

The principal activities of the Company during the course of the financial year were to develop and market the identitii token for banks and other financial institutions.
There were no other significant changes in the nature of the activities of the Company during the year.

Objectives

The Company's objectives are to be the information layer for global payments, becoming the industry standard for enrichment of payments and a record of compliance checks. This means that the identitii token is implemented in all leading financial institutions and a network of 1000+ banks.

3. Review of operations and results of those operations

Review of identitii tokens

Products - Development of the identitii tokens following research conducted, preparing the tokens for use in proof of concept trials with global banks and the SWIFT network.

Market - Opening up the market for identitii tokens through various conferences and direct marketing activities.

Strategy and future performance

Revenues will begin to flow into the business as various proof of concepts and other initiatives start to yield results.
The Company is undergoing a capital raising for a pre-series A round of funding. It is expected that another, series A round will be initiated within the next two years.
The Company is going to apply for an Accelerating Commercialisation grant from the Australian government and intends to seek other grants that are available to it in accordance with the conditions of those grants.

4. Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

5. Events subsequent to reporting date

Subsequent to the reporting date, the following significant events have occurred:

1. the pre-series A round of funding closed with the Company receiving funding of $1.5 million; and

2. the Company applied for and was successful with an Accelerating Commercialisation Grant to the value of $1 million. These funds will be disbursed quarterly, commencing January 2017 and completing March 2018.

6. Likely developments

The Company will continue to pursue its policy of developing the identitii tokens, proof of concept trials with global banks and continue to market to new global banks and financial institutions. This will require further investment in areas such as development activities and marketing.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

7. Directors' interests and share options

Ecosolar ATF the 275 Investment Trust, of which Nicholas Armstrong is a beneficiary controls the majority of the shares in the company. Nicholas nor Ecosolar have an options issued to them at this stage.

8. Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2016 and since the financial year. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

This report is made out in accordance with a resolution of the directors:

Nicholas Armstrong
Director
Suite 1, Level 3

66-72 Reservoir Street, Surry Hills
Sydney NSW 2010 AUSTRALIA
8 February 2017

Statement of financial position

identitii Pty Ltd
As at 30 June 2016

	NOTES	30 JUN 2016	30 JUN 2015
Assets			
Current Assets			
Cash and cash equivalents	4	590	643
Other Receivables		170,231	44,254
Othe payables (prepayments to suppliers)		4,969	-
Total Current Assets		**175,790**	**44,897**
Non-Current Assets			
identitii token	5	133,856	-
Total Non-Current Assets		**133,856**	**-**
Total Assets		**309,646**	**44,897**
Liabilities			
Current Liabilities			
Payables	6	92,461	29,614
R & D Capital Partners loan	7	105,000	-
Farsight Asset Management Loan		-	64,328
Loan - Nick Armstrong		20,560	15,957
Ecosolar Loan		109,077	14,026
Total Current Liabilities		**327,098**	**123,925**
Total Liabilities		**327,098**	**123,925**
Net Assets		**(17,452)**	**(79,028)**
Equity			
Retained Earnings		(325,214)	(79,278)
Share Capital		307,762	250
Total Equity		**(17,452)**	**(79,028)**

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached notes.

Statement of changes in Equity

identitii Pty Ltd
For the year ended 30 June 2016

	2016	24 NOV 2014-30 JUN 2015
Equity		
Opening Balance	(79,028)	-
Increases		
Loss for the Period	(245,936)	(79,278)
Share Capital	307,512	250
Total Increases	**61,576**	**(79,028)**
Total Equity	**(17,452)**	**(79,028)**

Statement of cash flows

identitii Pty Ltd

For the year ended 30 June 2016

	2016	2015
Cash flows from Operating Activities		
Payments to suppliers and employees	(354,051)	(93,904)
Finance costs	(4,131)	(13)
Tax grant received	44,146	-
Total Cash flows from Operating Activities	**(314,036)**	**(93,917)**
Cash flows from Investing Activities		
Payments for intangible assets	(133,856)	-
Total Cash flows from Investing Activities	**(133,856)**	**-**
Cash flows from Financing Activities		
Proceeds from borrowing	140,327	94,310
Proceeds from the issue of shares	307,512	250
Total Cash flows from Financing Activities	**447,839**	**94,560**
Net increase/(decrease) in cash held	**(53)**	**643**
Cash Balances		
Opening cash balance	643	-
Closing cash balance	590	643
Movement in cash	(53)	643

Notes to the Financial Statements

identitii Pty Ltd
For the year ended 30 June 2016

1. Reporting Entity

identitii Pty Ltd (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Suite 1, Level 3, 66-72 Reservoir Street, Surry Hills NSW 2010.

In the opinion of the directors, the Company is not publicly accountable nor a reporting entity. The financial statements of the Company have been drawn up as special purpose financial statements for distribution to the members.

2. Basis of preparation

(a) Basis of accounting

The special purpose financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the directors to meet the needs of members:

AASB 101 *Presentation of Financial Statements*

AASB 107 *Statement of Cash Flows*

AASB 108 *Accounting Policies, Changes in AccountingEstimates and Errors*

AASB 1048 *Interpretation and Application of Standards*

AASB 1054 *Australian Additional Disclosures.*

Going Concern

The financial statements have been prepared on a going concern basis. The directors of the Company consider it appropriate that the Company will continue to fulfil all obligations as and when they fall due for the foreseeable future and accordingly consider the Company's financial statements should be prepared on a going concern basis. The accumulated losses are impacted by the costs associated with setting up the Company. Subsequent to the reporting date, the Company has raised additional capital of $1.5m and has been successful in its application for an Accelerating Commercialisation grant to the value of $1m. This funding will enable the Company to fulfil its obligations as and when they fall due. Refer to Note 8 Events subsequent to reporting date for further information

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis at each reporting date.

Items	Measurement basis
Non-derivative financial instruments at fair value through profit or loss	Fair value

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(e) Changes in accounting policies

There are no new standards or amendments to standards effective for year ending 30 June 2016 that may result in changes in a change in accounting policy for identitii Pty Ltd.

3. Significant accounting policies

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

(a) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense; and
- impairment losses recognised on financial assets (other than trade receivables); and

Interest income or expense is recognised using the effective interest method.

(b) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the 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 or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(c) Employee benefits

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

(ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are payable more than 12 months of the end of the reporting period, then they are discounted.

(e) 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 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 tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

(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.

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 Company 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.

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

(iii) Tax exposures

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(d) 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.

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 and 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 the future economic benefits associated with the expenditure will flow to the Company.

(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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

	2016	**2015**
Computers	3 years	3 years

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

(e) Intangible assets

(i) Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Other intangible assets

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

	2016	2015
patents and trademarks	20 years	20 years
capitalised development costs	10 years	-

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

(f) Financial instruments

The Company classifies non-derivative financial assets in to the following categories: financial assets at fair value through profit or loss, and loans and receivables.

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

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

The Company initially recognises loans and receivables issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company 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 Company 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 as 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,which take into account any dividend income, are recognised in profit or loss.

Loans and receivables
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent 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 Company's cash management.
(iii) Non-derivative financial liabilities – measurement

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

(g) Impairment

(i) Non-derivative financial assets

Financial assets not classified 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 of impairment.
Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company 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.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and 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 the 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 to reduce the carrying amount of assets in the CGU on a pro rata basis. 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.

(h) 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 a finance cost.

(i) Warranties

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

(ii) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iii) Onerous contracts
A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(i) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.
Leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(ii) Lease payments (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

	30 JUNE 2016	30 JUNE 2015
4. Cash & Cash Equivalents		
Bank Accounts	590	643
Total Cash & Cash Equivalents	**590**	**643**

	30 JUNE 2016	30 JUNE 2015
5. Intangible Assets		
identitii token		
Additions	133,856	-
Total identitii token	**133,856**	**-**
Total Intangible Assets	**133,856**	**-**

	30 JUNE 2016	30 JUNE 2015
6. Payables		
Current		
Accounts Payable	11,900	13,874
Provision for Annual Leave	20,576	-
Othe payables and accruals	51,309	12,403
Superannuation Payable	8,676	3,337
Total Current	**92,461**	**29,614**
Total Payables	**92,461**	**29,614**

	30 JUNE 2016	30 JUNE 2015
7. Financial Liabilities		
Current		
Secured		
R&D Capital Partners Loan	105,000	-
Total Secured	**105,000**	**-**
Total Current	**105,000**	**-**
Total Financial Liabilities	**105,000**	**-**

8. Subsequet event note

Subsequent to the reporting date, the following significant events have occurred:

1. the pre-series A round of funding closed with the Company receiving funding of $1.5 million; and

2. the Company applied for and was successful with an Accelerating Commercialisation Grant to the value of $1 million. These funds will be disbursed quarterly, commencing January 2017 and completing March 2018.

Directors Declaration

identitii Pty Ltd
For the year ended 30 June 2016

1. In the opinion of the directors of identitii Pty Ltd ("the Company"):

    1. the Company is not a reporting entity;
    2. the financial statements and notes set out on pages 5 to 15:

        - present fairly the financial position of the Company as at 30 June 2016 and its performance, as represented by the results of its operations and its cash flows, for the financial period ended on that date in accordance with the statement of compliance and basis of preparation described in Notes 1 and 3; and
        - comply with Australian Accounting Standards (including Australian Accounting Interpretations) to the extent described in Note 2; and

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

2. In respect of the period ended 30 June 2016 the Company has:

    1. kept such accounting records as correctly record and explain its transactions and financial position;
    2. kept its accounting records that financial statements of the Company that are presented fairly can be prepared from time to time; and
    3. kept its accounting records in accordance with the *Corporations Act 2001* so that the financial statements of the Company can be conveniently and properly audited in accordance with the constitution.

Signed in accordance with a resolution of the directors:

Dated at..Surry Hills...in Sydney, Australia on the 8th day of February 2017

Director: Nicholas Armstrong ____________________

Independent audit report to the members of identitii Pty Ltd

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of identitii Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the special purpose financial report and have determined that the basis of preparation described in Notes 1 to 3 to the financial statements is appropriate to meet the requirements of the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 1 to 3 to the financial statements so as to present a view which is consistent with our understanding of the Company's financial position, and of its performance and cash flows.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of identitii Pty Ltd as of 30 June 2016 and of its financial performance and its cash flows for the

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year then ended in accordance with the accounting policies described in Notes 1 to 3 to the financial statements.

Emphasis of matter – going concern assumption

Without modification to our opinion expressed above, we draw attention to note 2(a) Basis of accounting, which explains the reasons for the preparation of the financial statements on a going concern basis and note 8 subsequent events which details the additional capital received and the approval of the Accelerating Commercial grant.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist identitii Pty Ltd to meet the requirements of its members. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for identitii Pty Ltd and the Company's members and should not be distributed to or used by parties other than identitii Pty Ltd and the Company's members. We disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates, to any person other than the directors of identitii Pty Ltd for any other purpose than that for which it was prepared.

KPMG

KPMG

Sydney

8 February 2017