

# **identitii Pty Ltd**

**Annual Financial Report**

**For the year ended 30 June 2017**

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**Identitii Pty Ltd**  
**For the year ended 30 June 2017**

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# Directors Report

**Identitii Pty Ltd**  
**For the year ended 30 June 2017**

Your Directors present their report on the Company for the financial year ended 30 June 2017.

## Directors

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

Nicholas Armstrong	Appointed 28 November 2014
Eric Knight	Resigned 29 June 2018
Damian Thomas Roche	Resigned 29 June 2018
Gregory John Clark	Appointed 29 June 2018
Martin Rogers	Appointed 16 January 2018
Michael Philip Aston	Appointed 29 June 2018

## Principal activities

The principal activities of the Company during the financial year were the development of Serra™, an append-only federated database management system built for the financial services industry.

Leveraging block chain technology, relational and graph databases, Serra™ enables the secure and auditable exchange of information between financial institutions.

No significant change in the nature of the development activities occurred during the year.

## Review of operations and results of those operations

A number of financial institutions have signed up for paid trials of Serra™ and have now moved beyond proof of concept and are generating small amounts of revenue.

The Company completed a pre-series A round of funding in October 2017.

The Company was successful in securing an Accelerating Commercialisation grant from the Australian government for \$1 million, earned over 18 months. These funds are disbursed quarterly, commencing January 2017 and completing March 2018.

The Company continuously pursues other grants that are available to it both from the state and federal government.

## 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.

# Directors Report

**Identitii Pty Ltd**  
**For the year ended 30 June 2017**

## Events subsequent to reporting date

Subsequent to 30 June 2017, the Company raised \$2.1 million in external funds through a pre-series A investment round. Further, the Company's board resolved in April 2018 to list on the Australian Stock Exchange in July 2018. The Company expects to raise \$11 million through the IPO, and this amount is fully underwritten by KTM Capital Pty Ltd, who is an existing shareholder in the Company. In preparation for the IPO, the Company has converted from a private company to a public unlisted company and the legal entity company name was changed to Identitii Ltd to reflect this conversion.

On the 29<sup>th</sup> June 2018, Eric Knight and Damien Thomas Roche, resigned as Director's of the Board. On the same day, Gregory John Clark and Michael Philip Aston were appointed as Directors to the Board.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, in future financial years.

## Likely developments

The Company will continue to develop Serra<sup>TM</sup>, and pursue proof of concept trials with global financial institutions. This will require further investment in product development, business development, 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 likely result in unreasonable prejudice to the Company.

## Directors' interests and share options

275 Invest 2 Pty Ltd ATF the 275 Investment Trust, of which Nicholas Armstrong is a beneficiary, holds and controls the majority number shares on issue in the Company.

Holywell Ford Pty Ltd ATF Beechcroft Trust, of which Eric Knight is a beneficiary, holds a minor shareholding in the Company.

Wodi Wodi Pty Ltd ATF Wodi Wodi Trust, of which Damien Thomas Roche is a beneficiary, holds a minor shareholding in the Company. Wodi Wodi Pty Ltd has been allocated options under the Company Share Option Scheme.

KTM ventures Co-investment Services Pty Ltd ATF KTM Co-Investment Trust No 1, and KTM Ventures Innovation Fund LP, of which Martin Rogers is a Director, holds a minor shareholding in the Company.

Structure Investments Pty Ltd ATF Rogers Family Trust, of which Martin Rogers is a beneficiary, holds a minor shareholding in the Company. Structure Investments Pty Ltd ATF Rogers Family Trust has been allocated options under the Company Share Option Scheme.

# Directors Report

**Identitii Pty Ltd**  
**For the year ended 30 June 2017**

The relevant interest of each Director in shares and options within the Company, as at the date of this report is as follows:

	<b>Ordinary Shares</b>	<b>Options over ordinary shares</b>	<b>Rights over ordinary shares</b>
Nicholas Armstrong	9,866,050	-	-
Eric Knight	4,864,561	-	-
Damian Thomas Roche	1,726,830	1,104,000	-
Martin Rogers	1,496,670	630,000	-

## **Indemnification and insurance of officers and auditors**

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

During the financial year the Company paid premiums in respect of Directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2017 and subsequent to the year end. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been Directors or executive officers of the Company.

## **Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

This Directors' report is signed in accordance with a resolution of the Board of Directors:



Nicholas Armstrong  
Director  
159 Victoria Street

Potts Point  
Sydney NSW 2011 AUSTRALIA

Date: 27th July 2018

# Statement of profit or loss and other comprehensive income

Identitii Pty Ltd  
For the year ended 30 June 2017

	Note	30 June 2017	30 June 2016 Restated*
<b>Income</b>			
Sales		160,519	-
R&D Tax Incentive		607,372	169,030
Government grants		454,200	-
Interest income		8,041	-
<b>Total Income</b>		<b>1,230,132</b>	<b>169,030</b>
<b>Expenses</b>			
Amortisation of intangible assets		133,856	-
Consultants fees		165,907	21,740
General expenses		250,403	61,451
Interest expense		3,604	3,826
Legal expenses		98,223	13,855
Office expenses		16,994	18,688
Travel & accommodation		21,017	44,324
Rent		11,682	9,315
Employment expenses		991,664	160,425
Research and development expenses		1,396,258	241,767
<b>Total Expenses</b>		<b>3,089,606</b>	<b>575,391</b>
<b>Profit/(Loss) before income tax</b>		<b>(1,859,475)</b>	<b>(406,361)</b>
Income tax expense	2	45,420	-
<b>Profit/(Loss) for the year</b>		<b>(1,904,895)</b>	<b>(406,361)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income</b>		<b>(1,904,895)</b>	<b>(406,361)</b>

\*Refer to note 9 for details

# Statement of financial position

Identitii Pty Ltd  
For the year ended 30 June 2017

	Note	30 June 2017	30 June 2016 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	4	276,527	590
Current R&D Tax Receivable	2	561,952	169,031
Other Receivables	5	25,605	1,200
Related Party Receivable		9,183	-
Prepayments		6,701	4,969
<b>Total Current Assets</b>		<b>879,968</b>	<b>175,790</b>
<b>Non-Current Assets</b>			
Intangible Asset - Identitii Token	6	-	133,856
<b>Total Non-Current Assets</b>		<b>-</b>	<b>133,856</b>
<b>Total Assets</b>		<b>879,968</b>	<b>309,646</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables & Employee Provisions	7	227,185	92,461
Loans & Borrowings	8	80,000	105,000
Related Party Payable		-	129,637
<b>Total Current Liabilities</b>		<b>307,185</b>	<b>327,098</b>
<b>Net Assets</b>		<b>572,783</b>	<b>(17,452)</b>
<b>Equity</b>			
Retained Earnings		(2,390,534)	(485,640)
Share options reserve	8	1,058,571	160,426
Share Capital		1,904,746	307,762
<b>Total Equity</b>		<b>572,783</b>	<b>(17,452)</b>

\*Refer to note 9 for details. The restatement has no impact on the opening balance sheet and thus a 1 July 2015 balance sheet has not been presented.

# Statement of changes in equity

Idetitii Pty Ltd  
For the year ended 30 June 2017

	Share Capital	Share Option Reserve (restated)*	Retained Earnings (restated)*	Total Equity
<b>Balance at 1 July 2015</b>	250	-	(79,279)	(79,029)
Total Comprehensive Loss	-	-	(406,361)	(406,361)
Issue of ordinary share capital	307,512	-	-	307,512
Issue of share options*	-	160,426	-	160,426
<b>Balance at 30 June 2016</b>	<b>307,762</b>	<b>160,426</b>	<b>(485,640)</b>	<b>(17,452)</b>
<b>Balance at 1 July 2016</b>	307,762	160,426	(485,640)	(17,452)
Total Comprehensive Loss	-	-	(1,904,895)	(1,904,895)
Issue of ordinary share capital	1,596,984	-	-	1,596,984
Issue of share options	-	898,145	-	898,145
<b>Balance at 30 June 2017</b>	<b>1,904,746</b>	<b>1,058,571</b>	<b>(2,390,534)</b>	<b>572,783</b>



# Statement of Cash Flows

Identitii Pty Ltd  
For the year ended 30 June 2017

	30 June 2017	30 June 2016
<b>Cash flows from operating activities</b>		
Receipts from government grants	454,200	44,146
Receipts from customers	160,519	-
Payments to suppliers and employees	(1,973,280)	(354,051)
<b>Total Cash flows from operating activities</b>	<b>(1,358,561)</b>	<b>(309,905)</b>
<b>Cash flows from investing activities</b>		
Development expenditure	-	(133,856)
<b>Total Cash flows from investing activities</b>	<b>-</b>	<b>(133,856)</b>
<b>Cash flows from financing activities</b>		
Proceeds/ (repayments) from borrowings	(134,078)	140,327
Proceeds from the issue of shares	1,596,984	307,512
Interest received/ (paid)	4,383	-
Finance costs	(2,000)	(4,131)
Other cash items from financing activities	169,209	-
<b>Total Cash flows from financing activities</b>	<b>1,634,499</b>	<b>443,708</b>
<b>Net increase/ (decrease) in cash held</b>	<b>275,937</b>	<b>(53)</b>
<b>Cash Balance</b>		
Opening cash balance	590	643
Closing cash balance	276,527	590
<b>Movement in cash</b>	<b>275,937</b>	<b>(53)</b>

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## 1. Summary of significant accounting policies

identitii Pty Ltd (the "Company") is a Company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is 159 Victoria Street, Potts Point, NSW 2011.

The financial statements were authorised for issue on 27<sup>th</sup> July 2018 by the Directors of the Company.

### Basis of preparation

The financial statements are general purposes financial statements and have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

### Accounting policies

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

Certain comparative amounts in the statement of profit or loss and OCI have been restated as a result of a correction of prior period error (refer note 9).

#### a) Going Concern

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and assumes the Company will have sufficient cash resources to pay its debts as and when they become due and payable for at least 12 months from the date of signing the financial report.

The statement of profit or loss and other comprehensive income for the year ended 30 June 2017 reflects a net loss after income tax of (\$1,904,895). As at 30 June 2017, the statement of financial position reflects a net asset position of \$572,783.

To address future funding requirements and to enable the Company to fulfil its obligations as and when they fall due for a period of no less than 12 months from the issuance of these financial statements, the Company has undertaken a number of capital and fundraising activities. Subsequent to 30 June 2017, the Company was successful in raising an additional \$2.1 million of capital through a pre-series investment round. And, as at 31 December 2017, the net asset position of the

# Notes to the Financial Statements

Identitii Pty Ltd

For the year ended 30 June 2017

Company is in excess of \$2 million. The going concern assumption for the Company is further dependent on receiving funding from a proposed Initial Public Offering (IPO) to support its strategic objectives in product development and distribution, as well as fulfil its obligations as and when they fall due. Whilst the IPO is fully underwritten, until completed the funding to be received remains uncertain. Notwithstanding this, the Company is confident in a successful IPO and that with this funding, Identitii will be able to continue as a going concern. Refer to note 17 Subsequent Events for further details.

## **b) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

## **Critical accounting judgements in applying the entity's accounting policies**

There were no critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Company's accounting policies.

## **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of this reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

## **Research and development**

Expenditure during the research and development phase of a project is recognised as expense when incurred. R&D tax credits are recognised in the year they were earned, as the R&D application has been prepared and submitted prior to the finalisation of this report, therefore the Company can reliably measure the R&D credits for the financial year 2017.

## **c) Functional and presentation currency**

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

## **d) Changes in accounting policies**

There are no new standards or amendments to standards effective for year ending 30 June 2017 that may result in a change in accounting policy for identitii Pty Ltd.

## **New standards and interpretations not yet adopted**

There are no new standards or interpretations that have been adopted for the first time in these financial statements. The following new accounting standards and interpretations are not yet effective, but may have an impact on the Company in financial years commencing on or after 1 July 2017:

# Notes to the Financial Statements

Identitii Pty Ltd

For the year ended 30 June 2017

AASB 15 Revenue from Contracts with Customers is effective for financial years commencing on or after 1 January 2018. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company does not expect the adoption of this standard to have a material effect on the Company's financial statements.

AASB 9 Financial Instruments (and applicable amendments) is effective for financial years commencing on or after 1 January 2018. This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has also introduced revised rules around hedge accounting and impairment. The Company does not expect the adoption of this standard to have a material effect on the Company's financial statements.

AASB 16 Leases is effective for financial years commencing on or after 1 January 2019. This standard requires lessees to account for leased under an on-balance sheet model, with the distinction between operating and finance leases being removed. The Company has not yet evaluated the impact of adoption of this standard on the financial statements.

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

## **e) Revenue**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue recognition related to Government grants related to the Accelerating Commercialisation grant is in instalments when project milestones are achieved.

# Notes to the Financial Statements

Identitii Pty Ltd

For the year ended 30 June 2017

## f) 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.

## g) Employee benefits

### 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.

### 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. Re-measurements are recognised in profit or loss in the period in which they arise.

### 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.

## h) Share based payments

Equity settled share based compensation benefits are provided to employees. Equity settled transactions are awards of shares, and options over shares that are provided to employees in exchange for the rendering of services. The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

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

# Notes to the Financial Statements

Identitii Pty Ltd

For the year ended 30 June 2017

cumulative amount calculated at each reporting date less amounts already recognized in previous periods.

## i) **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.

### **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.

### **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.

### **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.

## j) **Property, plant and equipment**

### **Recognition and measurement**

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

# Notes to the Financial Statements

Identitii Pty Ltd

For the year ended 30 June 2017

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.

## **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.

## **Depreciation**

Depreciation is calculated to expense 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:

	2017	2016
Computers	3 years	3 years

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

## **k) Intangible assets**

### **Research and development**

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

Development expenditure is capitalised only if development costs could be measured reliably, the product or process was technically and commercially feasible, future economic benefits were probable, and the Company intended to and had sufficient resources to complete development and to use or sell the asset. Otherwise it was 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.

### **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.

# Notes to the Financial Statements

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## Amortisation

Amortisation is calculated to expense 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:

	2017	2016
Capitalised development costs	1 year	10 years

Whilst future economic benefits are probable, the pace at which block chain technology continues to develop means that such benefits are likely to flow within a 12 month period and therefore the useful life is assessed as being 1 year.

During the reporting period, the Company resolved to revise the estimated useful life of the identitii token under capitalized development costs. Refer to note 6 for impacts of the change in amortization.

## I) Impairment

### Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, 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.

### Non-financial assets

At each reporting date, the Company 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.



# Notes to the Financial Statements

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For the year ended 30 June 2017

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.

	30 June 2017	30 June 2016
<hr/>		
<b>2. Income Tax Expense</b>		
<b>A. Amounts recognised in profit or loss</b>		
<b>Current tax expense</b>		
Current year	46,275	-
<b>Deferred tax expense</b>		
Recognition of previously unrecognized tax losses	(1,035)	
Origination and reversal of temporary differences	-	-
<b>Total Tax Expense</b>	<b>45,420</b>	<b>-</b>

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

	30 June 2017	30 June 2016 Restated*
<b>Income Tax Expense (Note 2 Continued)</b>		
<b>B. Reconciliation of Accounting Profit to Taxable Profit</b>		
<b>Accounting Profit/ (Loss) before Tax</b>	<b>(1,859,478)</b>	<b>(406,361)</b>
<i>Adjustments to accounting profit</i>		
Non-deductible Expenses	2,479,286	432,308
Tax Exempt Income	(616,048)	(172,366)
<b>Taxable Profit/ (Loss)</b>	<b>3,763</b>	<b>(141,782)</b>
Less: Unrecognised Tax Losses Utilised	(3,763)	141,782
Net Taxable Income/ (Loss)	-	-
R&D Recoupment tax on Gross Grant income	45,420	-
<b>Tax Expense</b>	<b>45,420</b>	<b>-</b>

The Company is in a net tax loss position and does not recognise a deferred tax asset. The Company receives a government grant from Accelerating Commercialisation Australia which is treated as assessable income for tax purposes. The Company also claims the R&D Tax Incentive, and therefore is required to pay tax on the gross amount of grant income received, taxed at a concessional rate of 10%.

## C. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2017 Gross Amount	2016 Gross Amount
Tax losses	138,019	141,782

\* Refer to note 9 for details

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## 3. Earnings per share

### A. Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

<b>Profit (loss) attributable to ordinary shareholders (basic)</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Profit (loss) for the year, attributable to owners of the company	<b>(1,904,895)</b>	<b>(406,361)</b>
<b>Weighted-average number of ordinary shares (basic)</b>		
Issued ordinary shares at 1 July	22,564,290	15,120,000
Effect of share options exercised	-	-
Effect of shares issued during the year	5,765,687	2,981,808
Weighted-average number of ordinary shares at 30 June	<b>28,329,977</b>	<b>18,101,808</b>
Basic earnings per share (cents per share)	<b>(6.72)</b>	<b>(2.24)</b>

### B. Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

#### **Profit (loss) attributable to ordinary shareholders (diluted)**

Profit (loss) for the year, attributable to ordinary shareholders	<b>(1,904,895)</b>	<b>(406,361)</b>
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#### **Weighted-average number of ordinary shares (diluted)**

Weighted-average number of ordinary shares at 30 June (basic)	28,329,977	18,101,808
Effect of share options on issue	-	-
Weighted-average number of ordinary shares (diluted) at 30 June	<b>28,329,977</b>	<b>18,101,808</b>
Diluted earnings per share (cents per share)	<b>(6.72)</b>	<b>(2.24)</b>

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## Note 3 (cont'd)

At 30 June 2017, 6,734,000 options (2016: 3,654,000) were excluded from the diluted weighted average number of ordinary share calculation because their effect would have been anti-dilutive.

	30 June 2017	30 June 2016
<b>4. Cash &amp; Cash Equivalents</b>		
Bank	276,527	590
<b>Total Cash Equivalents</b>	<b>276,527</b>	<b>590</b>
<b>5. Other receivables</b>		
Security Deposits	4,352	-
Rental Bond	21,253	1,200
<b>Total other receivables</b>	<b>25,605</b>	<b>1,200</b>
<b>6. Intangible Assets</b>		
Identitii token	133,856	133,856
Accumulated depreciation of Identitii token	(133,856)	-
<b>Total Intangible Assets</b>	<b>-</b>	<b>133,856</b>

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

	30 June 2017	30 June 2016
<hr/>		
<b>7. Current Payables &amp; Provisions</b>		
Accounts payable	101,129	11,900
Provision for annual leave	35,168	20,576
Other payables and accruals	67,516	51,309
Superannuation payable	23,372	8,676
<b>Total Payables</b>	<b>227,185</b>	<b>92,461</b>

## 8. Loans & Borrowings

R&D Finance Loan	80,000	105,000
<b>Total Financial Liabilities</b>	<b>80,000</b>	<b>105,000</b>

## 9. Correction of error and reclassification of certain expenses

During 2017, the Company discovered that Share based compensation benefits provided to employees had not been recognised in the financial statements since 2016. As a consequence, share based payments expense, and the share option reserve were understated. The errors have been corrected by restating each of the affected financial statement line items for prior periods.

Further, the Company reclassified research and development expenses from Consulting fees and Employment expenses for comparative purposes.

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## Note 9 (cont'd)

The following tables summarises the impacts on the Company's financial statements.

### Statement of financial position

30 June 2016	Previously Reported	Adjustments	Restated
Retained Earnings	(325,214)	(160,426)	(485,640)
Share options reserve	-	160,426	160,426
Share Capital	307,762		307,762
<b>Total Equity</b>	<b>(17,452)</b>	<b>-</b>	<b>(17,452)</b>

### Statement of profit and loss and other comprehensive income

30 June 2016	Previously Reported	Adjustments	Restated
<b>Expenses</b>			
Consultants Fees	192,798	(171,058)	21,740
Employment Expenses	70,709	89,717	160,426
Research and development expenses	0	241,767	241,767
<b>Total Expenses</b>	<b>414,966</b>	<b>160,426</b>	<b>575,391</b>
<b>Profit/(Loss) before income tax</b>	<b>(245,936)</b>	<b>(160,426)</b>	<b>(406,361)</b>
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(Loss) for the year</b>	<b>(245,936)</b>	<b>(160,426)</b>	<b>(406,361)</b>
<b>Total comprehensive (loss)/income</b>	<b>(245,936)</b>	<b>(160,426)</b>	<b>(406,361)</b>

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

	30 June 2017	30 June 2016 Restated*
<b>10. Reconciliation of cash flows from operating activities</b>		
<b>Total comprehensive (loss)/income</b>	<b>(1,904,895)</b>	<b>(406,361)</b>
<b>Adjustments for:</b>		
Amortisation	133,856	-
Equity settled share based payment transactions	898,146	160,425
Other non-cash operating expenses	(2,561)	(295)
	<b>(875,454)</b>	<b>(246,231)</b>
<b>Changes in:</b>		
Trade and other receivables	(33,587)	43,054
Prepayments	(1,732)	(4,969)
Trade and other payables	99,572	46,874
Provisions and employee benefits	14,592	20,576
<b>Cash generated from operating activities</b>	<b>(796,609)</b>	<b>(140,695)</b>
<b>Less:</b>		
R&D refund included in income but classified as financing activity	(561,952)	(169,209)
<b>Net cash from operating activities</b>	<b>(1,358,561)</b>	<b>(309,905)</b>

\* Refer to Note 9 for details

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## 11. Operating segments

The company has one division, which is its reportable segment. This division offers services and are managed as a single unit as it requires the same technology, sales and marketing strategies.

	30 June 2017	30 June 2016
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## 12. Auditors' remuneration

Auditors of the Company - KPMG

Audit of financial statements	24,000	6,000
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## 13. Related parties

### A. Transactions with key management personnel

#### (a) Director payables and receivables

During 2017, unsecured loans of \$9,183 were advanced to Director & CEO Nick Armstrong. No interest is payable on the loans, and are repayable in full within 12 months after the issue date.

During 2016, unsecured loans of \$20,560 were advanced to the Company by Director and CEO Nick Armstrong, and the Company will reimburse these costs in full within 12 months.

#### (b) Key management personnel compensation

	Nicholas Armstrong	Eric Knight	Damian Thomas Roche	Martin Rogers
Short term employee benefits	134,545	-	-	-
Share based payments	-	-	126,708	87,630



# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## Note 13 (cont'd)

During 2017, Farsight Management (Australia) Pty Ltd was paid \$65,699 for CEO services provided by Director and CEO, Nicholas Armstrong to the Company. This is included in the total compensation for Nicholas Armstrong listed above.

During 2016, EcoSolar Pty Ltd was paid \$80,687 for CEO services provided by Director and CEO, Nicholas Armstrong, to the Company.

## 14. Share capital

	Ordinary Shares	
	2017	2016
In issue at 1 July	22,564,290	15,120,000
Issued for cash	5,822,163	7,444,290
Exercise of share options	-	-
<b>In issue at 30 June</b>	<b>28,386,453</b>	<b>22,564,290</b>

All ordinary shares rank equally with regard to the Company's residual assets.

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

### *Issue of ordinary shares*

In July and August of 2016, the Board approved the issue of 5,822,163 ordinary shares in the Company at a price of \$0.27 per share. (2016: \$0.03).

### **Nature and purpose of reserves**

The reserve for Share options comprises the cost of the Company shares issued under the Company Share Option Plan. There are 6,734,000 options on issue under the Company Share Option Plan.

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## 15. Share based payment arrangements

As at 30 June 2017, the Company had a share option programme in place that entitles key management personnel and senior employees to purchase ordinary shares in the Company. Under this programme, holders of vested options may be exercised for ordinary shares at a price of \$0.04343 per share.

Grant Date	Number of instruments	Vesting Term	Contractual life of options
20th March 2016	1,050,000	*3 years	10 years
20th March 2016	1,974,000	**4 years	10 years
14th June 2016	630,000	**4 years	10 years
29th July 2016	1,300,000	**4 years	10 years
15th August 2016	700,000	*3 years	10 years
1st September 2016	720,000	*3 years	10 years
11th September 2016	180,000	**4 years	10 years
21st October 2016	180,000	**4 years	10 years
<b>Total Share Options on Issue</b>	<b>6,734,000</b>		

**\* 3 year share options programme** – 1/3 of share options issued vest 3 months after grant date, and the remaining 2/3 of options issued vest monthly over the remaining 33 months of the vesting term.

**\*\* 4 year share options programme** – 1/3 of share options issued vest 3 months after grant date, and the remaining 2/3 of options issued vest monthly over the remaining 45 months of the vesting term

# Notes to the Financial Statements

Identitii Pty Ltd  
For the year ended 30 June 2017

## 16. Operating lease

The Company leases office premises under an operating lease. The lease is for a two year term with 4% annual increases. There is also an option to renew the lease for a further two years from July 2019.

### A. Future minimum lease payments

	30 June 2017	30 June 2016
Less than one year	84,744	-
Between one and five years	88,134	-

### B. Amounts recognised in profit or loss

	30 June 2017	30 June 2016
Lease expense	77,877	9,315

## 17. Subsequent events

Subsequent to the 30 June 2017, the Company raised \$2.1 million in external funds through a pre-series A investment round. Further, the Company's board resolved in April 2018 to list on the Australian Stock Exchange in July 2018. The Company expects to raise \$11 million through the Initial Public Offering, and this amount is fully underwritten by KTM Capital Pty Ltd, who is an existing shareholder in the Company. In preparation for the IPO, the Company has converted from a private company to a public unlisted company and the legal entity company name was changed to Identitii Ltd to reflect this conversion.

On the 29<sup>th</sup> June 2018, Eric Knight and Damien Thomas Roche, resigned as Director's of the Board. On the same day, Gregory John Clark and Michael Philip Aston were appointed as Directors to the Board.

## Directors' Declaration

**Identitii Pty Ltd**

**For the year ended 30 June 2017**

The Directors declare that:

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

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with Australian Accounting Standards, including of the financial position and performance of the Company presenting fairly. The Directors draw your attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at.....~~Potts Point~~.....in Sydney, Australia on the 27th day of July 2018



Director: Nicholas Armstrong



# Independent Auditor's Report

To the shareholders of identitii Pty Ltd

## Opinion

We have audited the **Financial Report** of identitii Pty Ltd (the Company).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of identitii Pty Ltd as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2017
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

## Material uncertainty related to going concern

We draw attention to Note 1(a), Going Concern in the financial report. The conditions disclosed in Note 1(a) indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern, we evaluated the extent of the uncertainty regarding events or conditions casting significant doubt on the Company's assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Company's plans to raise additional shareholder funds to address going concern;
- Assessing the Company's cash flow forecasts for incorporation of the Company's operations and plans to address going concern, in particular in light of the history of loss making operations;



- Determining the completeness of the Company's going concern disclosures for the principle matters casting significant doubt on the Company's ability to continue as a going concern, the Company's plans to address these matters, and the material uncertainty.

#### **Emphasis of matter – Restatement of comparative balances**

We draw attention to Note 9 to the financial statements, which describes the correction of an error in relation to an understatement of share-based payments expense for the year ending 30 June 2016 and disclosed as comparatives in this financial report. Our opinion is not modified in respect of this matter.

#### **Restriction on use and distribution**

The Financial Report has been prepared to assist the Directors of identitii Pty Ltd:

- for the purpose of their due diligence in relation to a potential Initial Public Offering.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of identitii Pty Ltd and its shareholders and should not be used by or distributed to parties other than the Directors of identitii Pty Ltd and its shareholders. 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 and its shareholders or for any other purpose than that for which it was prepared.

#### **Other Information**

Other Information is financial and non-financial information in identitii Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report and the Directors' Declaration. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

#### **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 the financial reporting pre-listing requirements of the ASX and have determined that the financial reporting framework is appropriate to meet the needs of the Directors and shareholders for the purpose of their due diligence in relation to a potential Initial Public Offering



- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

#### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

Sydney  
27 July 2018