

identitii Limited

Annual Financial Report

For the year ended 30 June 2018

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identitii Limited

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Directors' Report

identitii Limited
For the year ended 30 June 2018

Your Directors present their report together with the financial statements of the Company for the financial year ended 30 June 2018 and the auditor's report thereon.

Directors

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

Name, qualifications, and independence status	Experience, special responsibilities, and other directorships
Mr. Michael Philip Aston, B. E. Eng. Chairperson, Independent Non-Executive Director	Extensive knowledge and experience in FinTech with an international career in building global technology businesses. CEO, Chairperson and co founder of Distra Pty Limited until 2012, when it was acquired by ACI worldwide. Chairperson of the Remuneration and Nomination and Audit Committees. Appointed 29 June 2018
Mr. Nicholas Armstrong, B. Sc Chief Executive Officer	Nicholas is an entrepreneur, with 13 years' experience in building and scaling technology businesses. Nicholas co-founded identitii in 2014 with Eric Knight and is also the CEO. Appointed 28 November 2014
Mr. Gregory John Clark Independent Non-Executive Director	Dr Gregory Clark AC is a technologist, businessman and scientist, with extensive governance, corporate and commercial expertise on an international level. He most recently served as a director on the Board of the ANZ Banking Group Limited which he served on for 9 years until November 2013. Currently non-executive director of NextDC Limited. Appointed 29 June 2018. (Resigned 30 July 2018)
Mr. Peter Lloyd Independent Non-Executive Director	Peter has over 40 years' experience in computing technology, having worked for both computer hardware and software providers. For the past 35 years, he has been specifically involved in the provision of payments solutions for banks and financial institutions. Currently Peter is a non-executive director of ASX listed companies Integrated Research Limited, and Flamingo AI Limited. Member of the Remuneration and Nomination and Audit Committees. Appointed 4 September 2018

Directors' Report

identitii Limited

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<p>Mr. Eric Knight, B.A., LLB (Hons I) Independent Non-Executive Director</p>	<p>Eric was co-founder and non-executive director at identitii. He has extensive experience in strategy development and project implementation, particularly as it relates to corporate venturing in financial services. Eric is an associate professor in strategic management at the University of Sydney Business School, where he co-leads programs linking the university's entrepreneurship ecosystem with industry. identitii builds on Eric's previous experience as a consultant at the Boston Consulting Group. He completed his doctorate at the University of Oxford as a Rhodes Scholar.</p> <p>Appointed 6 November 2016 (Resigned 29 June 2018)</p>
<p>Mr. Damian Thomas Roche Independent Non-Executive Director</p>	<p>Damian has 20 years' experience in global investment banks, with extensive cross-asset class expertise spanning the equities, fixed income and commodities markets, with a specific focus on the Asia Pacific region, including Australia. He has been a Director of ASX Clear (Futures) Pty Limited since August 01, 2015, an Independent Non-Executive Director of ASX Limited since August 01, 2014, a Director of ASX Compliance and Austraclear Limited. He served as the Head of Markets and Investor Services Sales and Distribution for Asia Pacific, based in Hong Kong at J.P. Morgan</p> <p>Appointed 8 December 2016 (Resigned 29 June 2018)</p>
<p>Mr. Martin Rogers, B. Eng, B.Sc. Independent Non-Executive Director</p>	<p>Martin has experience in many aspects of financial, strategic and operational management. Martin has been both an investor and senior executive in a private funded advisory business in the technology, science and life sciences sectors, where he has been instrumental in enhancing the value of those investments.</p> <p>Member of the Remuneration and Nomination and Audit Committees.</p> <p>Appointed 16 January 2018</p>

Directors' Report

identitii Limited
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Directors' Meetings

Director	Board Meetings	
	A	B
Mr. Michael Philip Aston	-	-
Mr. Nicholas Armstrong	6	6
Mr. Gregory John Clark	-	-
Mr. Peter Lloyd	-	-
Mr. Eric Knight	6	6
Mr. Damian Thomas Roche	6	6
Mr. Martin Rogers	3	3

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Company secretary

Mrs. Margarita Claringbold, B. Bus (Acc), CA, was appointed to the position of company secretary on the 7 May 2018. Margarita is a qualified Chartered Accountant with over 20 years' experience in large corporate environments and professional services. Margarita has held senior finance leadership roles across ASX listed top 100 companies and large multinational organisations, and more recently has been working closely with emerging companies as Chief Financial Officer and as a key member of the executive management teams.

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.

Directors' Report

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The Company completed an external 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 completed in June 2018. As at the date of this report \$950,000 has been received, with the remaining \$50,000 to be received following the submission of the final project report.

The Company's board resolved in April 2018 to list on the Australian Stock Exchange. 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. It is expected the ASX will approved the Company to list in September 2018. 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 Limited to reflect this conversion.

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

Significant changes in the state of affairs

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

Events subsequent to reporting date

Gregory John Clark subsequently resigned as Director on 30 July 2018.

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 SerraTM, 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, and has been allocated options under the Company share option scheme.

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.

Directors' Report

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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.

M&M Funds Management Pty Ltd ATF Savu Superannuation fund, of which Michael Philip Aston is a beneficiary, holds a minor shareholding in the company and has been allocated options under the Company share option scheme.

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

Director	Ordinary Shares	Options over ordinary shares	Rights over ordinary shares
Nicholas Armstrong	9,866,050	1,350,000	-
Eric Knight (Resigned)	4,864,561	-	-
Damian Thomas Roche (Resigned)	3,040,749	-	-
Martin Rogers	2,126,670	-	-
Michael Aston	166,667	400,000	-

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 2018 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.

Rounding of Amounts to the Nearest Dollar

In accordance with ASIC Corporations (Rounding of Financial/ Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar.

Directors' Report

identitii Limited
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Dividends

No dividends were paid between 1 July 2017 to 30 June 2018.

Environmental Regulation

The Company's operations are not regulated by any significant law of the Commonwealth or of a State or Territory relating to the environment.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor KPMG for audit and non-audit services is compatible with the general standard of independence for auditors imposed by the Corporates Act 2001. The Directors are satisfied that the provision of non-audit services, as set out in note 11 of the attached Financial Statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Director to ensure they do not impact impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

The auditor's independence declaration is set out on page 9 and forms part of the Directors' report for the financial year end 30 June 2018.

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



Nicholas Armstrong
Sydney

Date: 28 September 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of identitii Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of identitii Limited for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.


KPMG



Nicholas Buchanan

Partner

Sydney

28 September 2018

Statement of profit or loss and other comprehensive income

identitii Limited
For the year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Income			
Sales		185,833	160,519
R&D Tax Incentive		906,257	607,372
Government grants		495,800	454,200
Interest income		8,619	8,041
Total Income		1,596,508	1,230,132
Expenses			
Amortisation of intangible assets		-	133,856
Consultants fees		256,206	165,907
General expenses		332,257	250,403
Interest expense		5,409	3,604
Legal expenses		101,751	98,223
Office expenses		49,734	16,994
Travel & accommodation		33,390	21,017
Rent		16,226	11,682
Employment expenses		1,595,511	991,664
Research and development expenses		2,086,390	1,396,258
Total Expenses		4,476,873	3,089,606
(Loss)/Profit before income tax		(2,880,365)	(1,859,475)
Income tax expense	2	49,580	45,420
(Loss)/Profit for the year		(2,929,945)	(1,904,895)
Other comprehensive income		-	-
Total comprehensive (loss)/income		(2,929,945)	(1,904,895)

Statement of financial position

identitii Limited
For the year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Assets			
Current Assets			
Cash & Cash Equivalents	4	259,995	276,527
Current R&D Tax Receivable		883,327	561,952
Trade receivables		192,606	-
Other Receivables	5	33,571	25,605
Related Party Receivable		10,320	9,183
Prepayments		-	6,701
Total Current Assets		1,379,820	879,968
Non-Current Assets			
Intangible Asset - identitii Token	6	-	-
Office Equipment		3,509	-
Computer Equipment		29,127	-
Total Non-Current Assets		32,636	-
Total Assets		1,412,456	879,968
Liabilities			
Current Liabilities			
Payables & Employee Provisions	7	417,530	227,185
Loans & Borrowings	8	400,000	80,000
Total Current Liabilities		817,530	307,185
Net Assets		594,926	572,783
Equity			
Retained Earnings		(5,320,479)	(2,390,534)
Share Options Reserve		1,975,966	1,058,571
Share Capital		3,939,439	1,904,746
Total Equity		594,926	572,783

Statement of changes in equity

identitii Limited
For the year ended 30 June 2018

	Share Capital \$	Share Option Reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2016	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
Balance at 30 June 2017	1,904,746	1,058,571	(2,390,534)	572,783
Balance at 1 July 2017	1,904,746	1,058,571	(2,390,534)	572,783
Total Comprehensive Loss	-	-	(2,929,945)	(2,929,945)
Issue of ordinary share capital	1,976,931	-	-	1,976,931
Share options exercised	57,762	-	-	57,762
Issue of share options	-	917,395	-	917,395
Balance at 30 June 2018	3,939,439	1,975,966	(5,320,479)	594,926

Statement of Cash Flows

identitii Limited
For the year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities			
Receipts from government grants		495,800	454,200
Receipts from customers		-	160,519
Payments to suppliers and employees		(3,364,038)	(1,973,280)
Total Cash flows from operating activities	9	(2,868,238)	(1,358,561)
Cash flows from investing activities			
Payments for property, plant, and equipment		(35,498)	-
Total Cash flows from investing activities		(35,498)	-
Cash flows from financing activities			
Proceeds from borrowings		400,000	-
Repayment of borrowings		(80,000)	(134,078)
Proceeds from the issue of shares		1,976,931	1,596,984
Proceeds from exercise of share options		57,762	-
Interest received		8,619	4,383
Interest Paid		(5,408)	-
Finance costs		(6,000)	(2,000)
Other cash items from financing activities		535,301	169,209
Total Cash flows from financing activities		2,887,204	1,634,499
Net (decrease)/increase in cash held		(16,532)	275,937
Cash Balance			
Opening cash balance		276,527	590
Closing cash balance		259,995	276,527
Movement in cash		(16,532)	275,937

Notes to the Financial Statements

identitii Limited
For the year ended 30 June 2018

1. Summary of significant accounting policies

identitii Limited (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 Company is a for profit entity and is primarily involved in developing enterprise software for financial services and banking institutions. Its main product, Serra, is an application that enables the secure and trusted exchange of information over financial networks, over a secure private blockchain.

The financial statements were authorised for issue on 28th September 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) and the Corporations Act 2001. 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.

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 2018 reflects a net loss after income tax of (\$2,929,945). As at 30 June 2018, the statement of financial position reflects a net asset position of \$594,926.

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 2018, the going concern

Notes to the Financial Statements

identitii Limited

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assumption for the Company is dependent on receiving funding from an 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 16 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 2018.

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 2018 that may result in a change in accounting policy for identitii Limited.

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 2018:

Notes to the Financial Statements

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For the year ended 30 June 2018

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.

f) Foreign currency transactions

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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

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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.

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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:

	2018	2017
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.

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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:

	2018	2017
Capitalised development costs	1 year	1 year

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.

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.

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

Notes to the Financial Statements

identitii Limited

For the year ended 30 June 2018

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 2018	30 June 2017
	\$	\$
<hr/>		
2. Income Tax Expense		
A. Amounts recognised in profit or loss		
Current tax expense		
Current year	49,580	46,275
Deferred tax expense		
Recognition of previously unrecognized tax losses	-	(1,035)
Origination and reversal of temporary differences	-	-
Total Tax Expense	49,580	45,420

Notes to the Financial Statements

identitii Limited

For the year ended 30 June 2018

Income Tax Expense (Note 2 Continued)

	30 June 2018 \$	30 June 2017 \$
B. Reconciliation of Accounting Profit to Taxable Profit		
Accounting Profit/ (Loss) before Tax	(2,880,365)	(1,859,478)
<i>Adjustments to accounting profit</i>		
Non-deductible Expenses	3,212,425	2,479,286
Tax Exempt Income	(906,257)	(616,048)
Taxable (Loss)/ Profit	(574,197)	3,763
Less: Unrecognised Tax Losses Utilised	-	(3,763)
Net Taxable Income	-	-
R&D Recoupment tax on Gross Grant income	49,580	45,420
Tax Expense	49,580	45,420

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.

	2018 Gross Amount	2017 Gross Amount
Tax losses	822,042	138,019

Notes to the Financial Statements

identitii Limited
For the year ended 30 June 2018

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.

(Loss)/ profit attributable to ordinary shareholders (basic)	30 June 2018 \$	30 June 2017 \$
(Loss)/ profit for the year, attributable to owners of the company	(2,929,945)	(1,904,895)
Weighted-average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	28,386,453	22,564,290
Effect of share options exercised	10,932	-
Effect of shares issued during the year	3,671,976	5,765,687
Weighted-average number of ordinary shares at 30 June	32,069,361	28,329,977
Basic (loss)/ earnings per share (cents per share)	(9.14)	(6.72)

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)

(Loss)/ profit for the year, attributable to ordinary shareholders	(2,929,945)	(1,904,895)
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Weighted-average number of ordinary shares (diluted)

Weighted-average number of ordinary shares at 30 June (basic)	32,069,361	28,329,977
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Weighted-average number of ordinary shares (diluted) at 30 June	32,069,361	28,329,977
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Diluted (loss)/ earnings per share (cents per share)	(9.14)	(6.72)
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Notes to the Financial Statements

identitii Limited
For the year ended 30 June 2018

Note 3 (continued)

At 30 June 2018 6,486,711 employee options and 4,485,918 Series A options (2017: 6,734,000) were excluded from the diluted weighted average number of ordinary share calculation because their effect would have been anti-dilutive.

	30 June 2018 \$	30 June 2017 \$
4. Cash & Cash Equivalents		
Cash at Bank	259,995	276,527
Total Cash Equivalents	259,995	276,527
5. Other receivables		
Security Deposits	4,352	4,352
Rental Bond	29,220	21,253
Total other receivables	33,571	25,605
6. Intangible Assets		
identitii token	133,856	133,856
Accumulated depreciation of identitii token	(133,856)	(133,856)
Total Intangible Assets	-	-

Notes to the Financial Statements

identitii Limited
For the year ended 30 June 2018

	30 June 2018 \$	30 June 2017 \$
7. Current Payables & Provisions		
Accounts payable	215,353	101,129
Provision for annual leave	54,115	35,168
Other payables and accruals	101,619	67,516
Superannuation payable	46,442	23,372
Total Payables	417,529	227,185
8. Loans & Borrowings		
R&D Finance Loan	400,000	80,000
Total Financial Liabilities	400,000	80,000

The Company has a loan facility in place with Rocking Horse Nominees Pty Ltd, that is secured against the R&D Tax Incentive cash refund expected to be received in relation to eligible R&D expenditure incurred during the financial year. The interest rate on the loan principal is 1.67% per month, with a minimum Loan term of 91 days, and minimum interest charge of \$20,445.

Notes to the Financial Statements

identitii Limited
For the year ended 30 June 2018

	30 June 2018 \$	30 June 2017 \$
<hr/>		
9. Reconciliation of cash flows from operating activities		
Total comprehensive (loss)/income	(2,929,945)	(1,904,895)
<hr/>		
Adjustments for:		
Amortisation	-	133,856
Equity settled share-based payment transactions	917,395	898,146
Interest received	(8,619)	(4,383)
Interest paid	5,408	-
Finance costs	6,000	2,000
Depreciation	2,862	-
Other non-cash operating expenses	2	(178)
	(2,006,897)	(875,454)
<hr/>		
Changes in:		
Trade and other receivables	(201,710)	(33,587)
Prepayments	6,701	(1,732)
Trade and other payables	148,327	99,572
Provisions and employee benefits	42,018	14,592
Cash generated from operating activities	(2,011,561)	(796,609)
<hr/>		
Less:		
R&D refund included in income but classified as financing activity	(856,677)	(561,952)
	(2,868,238)	(1,358,561)
<hr/>		
Net cash from operating activities	(2,868,238)	(1,358,561)
<hr/>		

Notes to the Financial Statements

identitii Limited

For the year ended 30 June 2018

10. 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 2018	30 June 2017
	\$	\$

11. Auditors' remuneration

Auditors of the Company - KPMG

Audit and review of financial statements	50,975	24,000
Non – audit services –investigating accountants report	95,000	-

12. Related parties

i. Transactions with key management personnel

(a) Director payables and receivables

During 2018, unsecured loans of \$10,320 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 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.

Notes to the Financial Statements

identitii Limited

For the year ended 30 June 2018

(b) Key management personnel compensation

30 June 2018	Nicholas Armstrong	Eric Knight (resigned)	Damian Thomas Roche (resigned)	Martin Rogers	Michael Philip Aston
Short term employee benefits	145,499	-	-	-	-
Share based payments	-	-	98,269	60,943	43,851
30 June 2017	Nicholas Armstrong	Eric Knight	Damian Thomas Roche	Martin Rogers	
Short term employee benefits	134,545	-	-	-	
Share based payments	-	-	126,708	87,630	

On the 28th June 2018, the Board exercised its discretion to vest all outstanding options on issue following the Board approval for the Company to undertake an IPO process. Damian Thomas Roche and Martin Rogers exercised options on issue to them for ordinary shares.

On 28 June 2018, Mike Aston was issued 400,000 options with an exercise price of \$0.75 per share.

During 2018, Farsight Management (Australia) Pty Ltd was paid \$145,499 (2017: 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.

Notes to the Financial Statements

identitii Limited
For the year ended 30 June 2018

13. Share capital

	Ordinary Shares	
	2018	2017
In issue at 1 July	28,386,453	22,564,290
Issued for cash	4,485,918	5,822,163
Exercise of share options	1,330,000	-
In issue at 30 June	34,202,371	28,386,453

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 August, September and December, the Board approved the issue of 4,485,918 ordinary shares in the Company at a price of \$0.47 per share. (2017: \$0.27).

In addition to issuing ordinary shares, the Company issued to shareholders who participated in the fundraising round 1 share option for each ordinary share issued. A total of 4,485,918 share options were issued, and fully vested, with an exercise price of \$0.63.

In June 2018, 1,330,000 options were exercised for ordinary shares in the Company, at an exercise price of \$0.043 per share.

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 6,486,711 options on issue under the Company Share Option Plan.

Notes to the Financial Statements

identitii Limited
For the year ended 30 June 2018

14. Share based payment arrangements

As at 30 June 2018, 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 issued on or before the 21st October 2016 may be exercised for ordinary shares at a price of \$0.04343 per share. Vested options issued on the 22nd September 2017 may be exercised at a price per share of \$0.27 per share. Vested options issued on the 28 June 2018 may be exercised for ordinary shares at a price of \$0.75 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
22nd September 2017	1,930,000	***4 years	10 years
28 June 2018	400,000	*2 years	10 years
Options exercised for ordinary shares during the year	(1,330,000)	-	-
Forfeited options during the period	(1,247,289)	-	-
Total Share Options on Issue	6,486,711		

*** 2 year share options programme** – 25% vest on issue, the remaining 75% vest in equal annual tranches.

**** 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 Limited

For the year ended 30 June 2018

On the 28th of June 2018, the Board exercised its discretion to vest all outstanding options with the exception of the 400,000 listed above, and issue ordinary shares to the value of the shares that would otherwise have been issued under the scheme less the aggregate exercise price payable in respect of exercise.

15. 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.

ii. Future minimum lease payments

	30 June 2018 \$	30 June 2017 \$
Less than one year	88,134	84,744
Between one and five years	-	88,134

iii. Amounts recognised in profit or loss

	30 June 2018 \$	30 June 2017 \$
Lease expense	108,171	77,877

16. Subsequent events

The Company's board resolved in April 2018 to list on the Australian Stock Exchange. 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. It is expected the ASX will approved the Company to list in September 2018. 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 Limited to reflect this conversion.

Gregory John Clark resigned as non-executive Director on 30 July 2018. Peter Lloyd was appointed as non-executive Director on the 4 September 2018.

Directors' Declaration

identitii Limited

For the year ended 30 June 2018

1. In the opinion of the directors of identitii Limited ('the Company'):
 - a. The financial statements and notes that are set out on pages 10 to 31 are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. 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. The directors draw 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 Pointin Sydney, Australia on the ^{28 Sep} day of 2018



Director: Nicholas Armstrong



Independent Auditor's Report

To the shareholders of identitii Limited (formerly known as identitii Pty Ltd)

Opinion

We have audited the **Financial Report** of identitii Limited (formerly known as identitii Pty Ltd) (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2018
- 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
- Directors' Declaration.

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 *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have 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.

Other Information

Other Information is financial and non-financial information in Identitii Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. 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 the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and 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.

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 the 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. This description forms part of our Auditor's Report.



A handwritten signature in black ink, appearing to read 'Nicholas Buchanan'.

Nicholas Buchanan

Partner

Sydney

28 September 2018