dorsaVi™

# ANNUAL REPORT 2018

# dorsaVi Ltd
# (ABN: 15 129 742 409)

# Annual Report
# For the Year Ended 30 June 2018

## CONTENTS

# CHAIRMAN'S REVIEW

Dear Shareholders

I am pleased to present dorsaVi Ltd's (dorsaVi) 2018 annual report to our shareholders.

Across numerous industries and sectors, we continue to witness the wider adoption of data and analytics. dorsaVi is a fine example of a company that has been able to not only capture this paradigm shift, but capitalise on it too, as we continue to commercialise our market-leading motion analysis technology and bring new and innovative products across the US, UK and Australia.

During the year, the Company achieved a number of important milestones, including regulatory clearances, such as the 510(k) clearance of the ViMove2™ by the US FDA; product launches, such as ViMove2™ in the UK and the dorsaVi Professional Suite in the US; and major client deals, including with Stryker, American International Group (AIG) and Curtin University. These milestones are all aligned to our strategic shift as we focus on the US market and aim to grow our annuity revenue streams.

The year was also marked by dorsaVi's operational changes from a strategic perspective. In particular, the Company is focused on driving US market penetration and our CEO, Andrew Ronchi, has relocated to the US since January 2018. This move is in line with our focus on the world's biggest market for medical devices and workplace health and safety technology. The appetite for wearable solutions in these markets has been strong which the clinical market actively looking for 'hands-off' interventions to use with patients to support treatment programs. In the workplace, degenerative manual handling injuries are the leading cause of lost-time injuries in the workplace. With the rate of injury remaining unchanged for many years, organisations are actively looking for innovative interventions which can bring about real change.

It is no secret that the US clinical market is a significant opportunity for the Company and is a market advanced in its adoption of new technologies and data when compared to Australia. With this, we have put a strong focus on the US and undertaken the associated operational changes, intending to provide the greatest opportunity for the Company and shareholders alike. Meanwhile, we have also been focused on building our annuity revenue, and we now have two annuity products in-market: myViSafe™ for our workplace safety solution, and dorsaVi Professional Suite (ViMove2™) for the clinical market. While the latter is new to the US market having been released in late June 2018, we are pleased to see growth in our annuity revenues. While this may have a short-term financial impact, the scalability of these products means there is strong potential to add new customers and we view this very favourable for the Company's long-term prospects and opportunity.

As we move into the new financial year, we are optimistic about building on the momentum we've secured across our markets. For the US, in particular, we've signed large deals with multinational companies such as Stryker and AIG and we aim to convert more global brands currently in our pipeline. This will be an important focus for dorsaVi as we deepen our presence in the US and grow our network there. Equally important will be our desire to raise annuity revenue in the workplace market, as well as strengthen our strategic relationships to bring a rise in sales volume. We are positive we will be able to execute on our strategies and look forward to updating shareholders.

On behalf of the board, I would like to thank CEO Andrew Ronchi and his team for their hard work and dedication to dorsaVi and for bringing the Company's leading technologies to help patients and athletes in their recovery journey and assist companies to improve workplace safety.

To our shareholders, we are grateful for your continued support.

GTweedly

Greg Tweedly
Chairman

# CEO REPORT

**Introduction**

Financial year 2017/18 was a year of continued momentum and strategic change for dorsaVi. As we continued to commercialise our medical grade wearable technology, build out our annuity products and secure larger-scale deals in the US market, we are excited to see how both repeat and new clients have embraced our data-first approach to motion analysis.

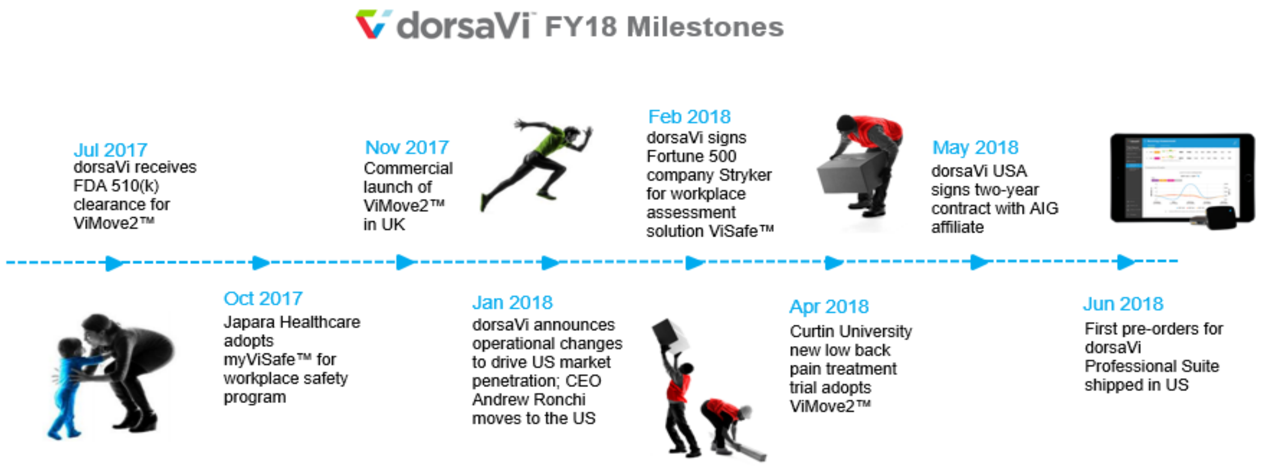
During the year, we received regulatory clearance for our new Professional Suite product from the FDA and were granted new patents for major markets which solidify our presence, and protect our future, as the market-leading motion analysis technology company. We have been very encouraged to see repeat clients across our portfolio and to have added notable brands to our list of clients, such as Stryker and AIG.

dorsaVi also announced a number of important operational changes to deepen our presence in the US. These changes include my relocation to the US, a move which represents our commitment to this market, the appointment of Matt May as General Manager (GM) of dorsaVi and David Erikson as dorsaVi's new Chief Technology Officer (CTO). Whilst these operational changes have had an impact on the financial performance in the second half of the year, we believe that in the long term these changes will help achieve greater market penetration in the US, which is vital to the business.

> *"Since being in the US, I have had the opportunity to deepen relationships with existing clients and meet new companies. We are pleased to report that at the time of writing, we have over 25 of the Fortune 100 US companies in our pipeline in active discussion to adopt dorsaVi's technologies.*
>
> *It is clear that companies in the US have an appetite for the data dorsaVi's technology produces and we are excited about the potential in this market."*
>
> - Andrew Ronchi, CEO, dorsaVi

The appointment of a GM was necessary to facilitate my move to the US. Matt May is an experienced leader having previously worked in a head of operations role at the ASX-listed company Konekt. Matt has been with dorsaVi for four years as Head of Sales and Operations for Australia and we are very pleased to have him step up into this role, allowing myself to focus on the larger scale deals in the US and global customers.

The other major operational change was recruiting a new CTO to bring global technical knowledge and rigour to the dorsaVi product suite. David Erikson brings with him extensive technical and commercial experience in developing hardware, software and data-driven products with multi-national corporates and growth phase companies. Importantly, David has specific experience with medical devices and the regulatory work required to ensure continued FDA compliance. David's experience has been with world leading companies including Intel, Advanced Micro Devices and Covidien (now Medtronic). We are excited to have David join the dorsaVi team and look forward to having his technical leadership drive product excellence and development efficiency.



Our focus for the year ahead is on sales growth in our key markets. We will see sales resource growth in the US and the sales organisation will be focused on selling our core products – Professional Suite (Clinical), ViSafe and myViSafe (workplace). We look forward to sharing our progress with shareholders as our business focuses more on sales execution rather than product development.

**Financial Summary**

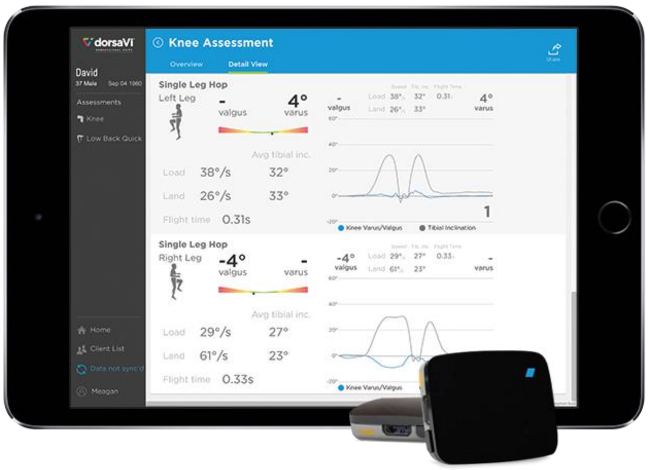
Compared to last financial year, our full year sales revenue was down 1% this year to $3,433,348. Whilst sales revenue in the first half of the year grew by 12.8% in the second half of the year our revenue was impacted by the operational changes, seasonal factors and the delay of the release of dorsaVi's Professional Suite in the US. We continue to be pleased with a shift in our revenue streams evidenced by growth in our annuity revenue. Whilst this may impact short term revenue, the scalability of the annuity products means there is strong potential for growth as we add new customers. We believe the growth of our annuity revenue stream bodes well for dorsaVi's long term prospects.

Total expenditure increased by $419,686 (up 5% year on year) mainly due to increases in non-cash expenses such as depreciation and amortisation ($563,604) and the write-off of goodwill ($112,110). The goodwill written off related to workplace compliance services, a service which ceased to be provided during the 2018 year. Cost control continues to be a focus of the business.

***dorsaVi Clinical Market***

During the year, dorsaVi made major strides in the clinical market from a regulatory, product and new client perspective.

dorsaVi received 510(k) clearance for ViMove2™ (Professional Suite) from the FDA early in the financial year and launched the product in June 2018. The simple and faster-to-use device is patient and clinician-friendly and has a mass market opportunity as we've seen in Australia and in the UK. As at 30 June 2018, the Company has sold 128 ViMove2™ systems in these two markets, noting that the formal launch in the latter market only occurred in the second quarter of the year.




In addition, dorsaVi also strengthened its intellectual property position with the granting of three new patents - a new knee patent in the US, a body orientation patent in Australia and a running patent in Australia. This brings the number of patent families held by dorsaVi to seven, with 15 patents granted across eight countries. The strengthening of our intellectual property position is critical for the Company not only because it reinforces our leadership and first-to-market position in medical grade wearables, but also because it supports our commercial strategy moving forward.

From a product perspective, during the year, Professional Suite was launched in the US, with the first set of pre-orders shipping in June. Professional Suite was designed with a SaaS model in mind, which allows it to be scalable across a large clinical market like the US, where there are approximately 284,000 physical therapists and over 25,000 orthopaedic surgeons.

Its SaaS model means users must pay for the hardware upfront and pay an ongoing monthly fee for access to the software licence. A tiered pricing model means the more software products the user buys, the greater the fee collected. Professional Suite is not only the Company's latest product but it is also an example of how we are growing our annuity revenue.

Furthermore, the SaaS model of dorsaVi Professional Suite means it is sold online, and only requires 30 minutes training via a webinar. This is markedly different to the previous generation of the technology which required a face-to-face demonstration and an additional 4-hour training session. This change has freed up resources and allowed our account management staff to focus on new deals and clients.

During the year, dorsaVi signed a number of high profile clients in the clinical space. This includes an orthopaedic agreement with Stryker Leibinger GmbH & Co. KG, the German subsidiary of Stryker Corporation, a Fortune 500 company and one of the world's leading medical technology companies. Earlier in the year, we also signed a ViSafe agreement with Stryker.

Another notable deal in the clinical space over the past 12 months is our strategic agreement with Curtin University. We are pleased to see a world class university adopt dorsaVi's technologies as it validates the dorsaVi technology as a leading and objective biofeedback measurement tool in clinical settings and educates the next generation of physiotherapists on the importance of capturing objective data for patients to achieve optimal clinical outcomes.

***dorsaVi Workplace Solutions (OHS)***

As companies across the world are increasingly under pressure to establish preventative practices when it comes to workplace injuries, there is a growing demand for sophisticated and objective technologies that can help improve workplace safety and mitigate injuries. Discussions about workplace safety are no longer the remit of mid-level managers or safety managers but have become important issues at the C-suite and at board-level. This change in attitude has meant Occupational Health and Safety is becoming an increasingly significant opportunity for dorsaVi.

During the year, we have been encouraged to see our solutions embraced by organisations of various sizes, whether it be local companies such as Woolworths and Coles, or global corporations such as Amazon and BHP Billiton. We believe this paradigm shift in OHS to adopting data-driven technologies will help fuel dorsaVi's long term growth as we continue to target large corporations across the US, UK and Australia.


Within our ViSafe portfolio, dorsaVi has experienced strong repeat businesses from major brands such as Visy, Tesla, CAT and Heathrow Airport. We also signed new clients ranging from the healthcare sector, such as Johnson & Johnson, to industrial clients such as The Linde Group, a multinational chemical corporation.

Worthy of note is our recent agreement with global insurer AIG PC Global Services Inc for a large, two-year multi-country contract. The adoption of ViSafe by a company of AIG's stature is testament to how our OHS solutions are able to provide new insights and rich data, allowing insurers and major corporates to make data-based decisions using objective data and facts, rather than relying on opinion only. Additionally, the AIG agreement spans the US, UK, Hong Kong and Singapore, with the potential to add more countries, demonstrating the value of engaging with multinational groups.

Our self-managed solution, myViSafe™, was designed as an annuity revenue product and we are pleased with the number of clients who are moving to this option when managing their workplace safety. The myViSafe product allows corporations to have a self-service manual handling model where their own risk managers and safety managers perform on-the-spot assessments of workers in their real work environment and provide real time feedback to the worker.  The worker's data is then uploaded to a central database so that executive management can pinpoint the location of their manual handling risks.  As previously noted, annuity revenue is an area of great focus for dorsaVi and will help set up a foundation of ongoing revenue to scale the business.  We are pleased to note that as of 30 June 2018, 28 organisations use myViSafe™.

**dorsaVi Elite Sports**

The elite sports market continues to be important for the Company as it allows us to align the dorsaVi brand with major names in sport.  This market is largely growing via word of mouth referrals.

Andrew Ronchi
Chief Executive Officer

# FINANCIAL REPORT
## For The Year Ended 30 June 2018

# Financial Report
# For The Year Ended 30 June 2018

## TABLE OF CONTENTS

# Directors' Report

The directors present their report together with the financial report of the Group consisting of dorsaVi and the entities it controlled, for the financial year ended 30 June 2018 and auditor's report thereon.

**Directors**

The names of directors in office at any time during or since the end of the year are:

***Gregory John Tweedly – Non-executive Chairman:***

Mr. Tweedly was appointed non-executive chairman on 23 November 2017 and served on the Nomination and Remuneration Committee for the whole year. Before being appointed non-executive chairman, Mr Tweedly was a non-executive director and chaired the Audit and Risk Committee. He resigned from the Audit and Risk Committee on 23 November 2017. He was appointed to the Board on 29 October 2013.

***Ashraf Attia - Non-executive Director:***

Mr. Attia served on the Audit and Risk Committee for the whole year and was appointed to, and as chair of, the Nomination and Remuneration Committee on 23 November 2017. He was appointed to the Board on 14 July 2008.

***Michael Panaccio – Non-executive Director:***

Dr. Panaccio serves on the Audit and Risk Committee and the Nomination and Remuneration Committee. He was appointed to the Board on 16 May 2008.

***Caroline Elliott – Non-executive Director:***

Ms Elliott was appointed non-executive director and chair of the Audit and Risk Committee on 24 November 2017.

***Andrew Ronchi – Chief Executive Officer, Director:***

Dr. Ronchi was appointed to the Board on 18 February 2008.

***Herbert James Elliott – Retired 23 November 2017:***

Before his retirement from the Board on 23 November 2017, Mr Elliott was non-executive Chairman of dorsaVi Ltd and chaired the Nomination and Remuneration Committee. He was originally appointed to the Board on 29 October 2013.

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

**Principal Activities**

The principal activity of dorsaVi Ltd and its controlled entities during the financial year was distribution of innovative motion analysis technologies. These technologies are commercialised via license, sale or fixed fee consultancy. There has been no significant change in the nature of these activities during the financial year.

**Results**

The consolidated loss after income tax attributable to the members of dorsaVi Ltd was $3,727,073 (2017: $3,876,248).

**Review of Operations**

dorsaVi Ltd has been listed on the ASX since December 2013.

The Group consists of four entities:

1. dorsaVi Ltd, the listed Parent group;
2. dorsaVi Europe Ltd, a wholly owned subsidiary incorporated and domiciled in the UK;
3. dorsaVi USA, Inc., a wholly owned subsidiary incorporated and domiciled in the US; and
4. Australian Workplace Compliance Pty Ltd, a wholly owned subsidiary domiciled in Australia.

Revenue for the 2018 financial year was $4,394,271 (2017: $3,897,882) as a result of increases in grant income and foreign exchange gains. Sales revenue was $3,433,348 (2017: $3,466,027).

The loss from continuing operations after income tax for the 2018 financial year was $3,727,073 (2017: $3,876,248), a reduction of 4% on the 2017 financial year.

dorsaVi Ltd has continued to develop and release new product across all geographic locations. Total expenditure increased by $419,686 (5% year on year) mainly due to increases in non-cash expenses such as depreciation and amortisation ($563,604) and the write-off of goodwill ($112,110). The goodwill written off related to workplace compliance services, a service which ceased to be provided during the 2018 year.

**OHS Services**

Revenue for OHS Consultancy, utilising ViSafe technology, was $1,842,411 for the 2018 financial a 4% decline over the 2017 financial year ($1,911,091).

**Clinical and Sports Product**

Revenue from the licensing and sale of devices was $1,590,937 for the 2018 financial year up 2% over the 2017 financial year ($1,554,936).

With the release of new product during 2018 the directors expect global revenue to grow into the future. Factors impacting and driving this growth include: The effectiveness of the global marketing plan; additional sales generation in the OHS and clinical markets in Australia, Europe and US markets; shortening of the sales lead times; and the rate of uptake of new generation product.

Cost of sales decreased in the 2018 financial year to $873,625 (2017: $1,068,139) in line with expectations and as a result of the release of new product.

Employee benefits expense for the 2018 financial year was $4,498,316 (2017: $4,302,643), a 5% increase year on year and was inclusive of share-based payments of $447,431 (2017: $371,121). Employee benefits expense represented 50% of the total expenses for the Group for the 2018 financial year (2017: 50%).

The material business risks that are likely to have an effect on the financial prospects of the Group include:

- Over time, dorsaVi may be subjected to increased competition if potential competitors develop new technologies or make scientific or systems advances that compare with or compete with dorsaVi's products.
- In the medical sector (but not the Elite Sports or OHS sectors), sales and adoption rates of dorsaVi's system are, in part, likely to be influenced by the availability and level of reimbursement from government and/or insurance payers. Whilst dorsaVi's products already benefit from reimbursement in some circumstances, there is no guarantee that the use of dorsaVi's products will receive further reimbursement.
- General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the dorsaVi's activities, as well as on its ability to fund those activities. In particular, much of its future income is expected to come from the US and European markets and therefore dorsaVi's activities will be affected by currency exchange fluctuations.
- dorsaVi is not currently profitable. Proceeds from the initial float and subsequent capital raisings were and are primarily being used to fund, both, the commercial rollout of dorsaVi's products and continued product development. There is no guarantee that the commercial rollout will result in profitability for the Group. If the commercial roll out is slower or less successful than planned, dorsaVi may need to raise additional capital in the future.

**Significant Changes in the State of Affairs**

The following changes in the state of affairs occurred during the period:

- On 14 July 2017, dorsaVi Ltd received 510(k) clearance by the US Food and Drug Administration (FDA) for the next generation ViMove2 sensor designed to measure, record and analyse movement and muscle activity of the lower back.
- On 14 August 2017, dorsaVi Ltd issued 250,000 fully paid ordinary shares, at $Nil per share, to employees, under the dorsaVi ESOP. The issue of these shares arose on the vesting of 250,000 performance rights previously granted as a result of those employees meeting the performance conditions attached to the rights.
- On 6 October 2017, dorsaVi Ltd issued 321,113 fully paid ordinary shares, at $Nil per share, to employees, under the dorsaVi ESOP. The issue of these shares arose on the vesting of 321,113 performance rights previously granted as a result of those employees meeting the performance conditions attached to the rights. On the same day 257,887 performance rights and 78,333 options previously granted, lapsed.
- On 18 October 2017, dorsaVi Ltd announced that they had been awarded a Federal Government Advanced Manufacturing Growth Fund grant exceeding $1.1m to assist in the development and implementation of advanced manufacturing activities over a twenty-eight-month period ending March 2020.
- On 25 October 2017, dorsaVi Ltd announced that Japara Healthcare (ASX: JHC), one of Australia’s largest aged care providers, will implement dorsaVi’s myViSafe to improve workplace manual handling safety for its staff.
- On 23 November 2017, Herb Elliott retired, effective immediately, as Chairman and Director of dorsaVi Ltd.
- On 23 November 2017, Greg Tweedly was appointed as Chairman of dorsaVi Ltd at dorsaVi Ltd’s annual general meeting and retired as Chair of the Audit and Risk Committee.
- On 24 November 2017, dorsaVi Ltd appointed Caroline Elliott as Non-executive Director and Chair of the Audit and Risk Committee.
- On 23 January 2018, dorsaVi Ltd announced that CEO, Andrew Ronchi, had relocated to the US to focus on strategic relationships in the US and Europe and that Matt May had been promoted to General Manager.
- On 10 March 2018, dorsaVi Ltd issued 41,250 fully paid ordinary shares, at $Nil per share, to employees, under the dorsaVi ESOP. The issue of these shares arose on the vesting of 41,250 performance rights previously granted as a result of those employees meeting the performance conditions attached to the rights. On the same day 42,084 performance rights previously granted, lapsed.
- On 10 April 2018, dorsaVi Ltd announced that the School of Physiotherapy and Exercise Science at Curtin University would conduct a clinical trial assessing low back pain treatment utilising ViMove2 technology to manage patients.
- On 22 May 2018, dorsaVi Ltd announced that it had signed a two-year contract with AIG PC Global Services Inc, an affiliate of American International Group (NYSE; AIG) to use dorsaVi’s ViSafe technology to conduct risk assessments for it clients. Initially dorsaVi’s technology would be used in the US, UK, Hong Kong and Singapore.
- On 19 June 2018, dorsaVi Ltd announced that a US patent covering the “method and apparatus for monitoring deviation of limb” had been granted.

**After Balance Date Events**

With the exception of the following, no matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- On 3 July 2018, dorsaVi Ltd announced that it had signed an agreement with CitiPower and Powercor for the provision of dorsaVi’s wearable sensor technology to profile movement risk and improve manual handling safety.
- On 18 July 2018, dorsaVi announced that it had signed an evaluation agreement with Stryker Leibinger GmbH & Co to evaluate ViMove2.

**Likely Developments**

The following likely developments in the business of the Group are expected to influence its financial results in the near term:

- The Group expects to increase, year on year, the annuity revenue proportion of total OHS and Clinical revenue.
- The Group expects that, the new product released globally during 2018 and 2019 will support revenue growth.

**Environmental Regulation**

The Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

**Dividend Paid, Recommended and Declared**

No dividends were paid, declared or recommended since the start of the financial year.

**Equity Instruments**

There were no performance rights and options over unissued ordinary shares granted to executives by dorsaVi Ltd during or since the financial year end.

There were no performance rights or options over unissued ordinary shares granted to non-executive directors during or since the financial year end. Further details regarding options granted as remuneration are provided in the Remuneration Report below.

**Shares under Option**

Unissued ordinary shares of dorsaVi Ltd under option at the date of this report are as follows:

| Date Options Granted | Number of Unissued Ordinary Shares under Option | Issue Price of Shares | Expiry Date of the Options |
|---|---|---|---|
| 2 September 2014 | 100,000 | $0.40 | 1 September 2019 |
| 24 March 2016 | 200,000 | $0.40 | 24 March 2021 |
| 15 May 2017 | 550,000 | $0.33 | 15 May 2022 |
| 15 May 2017 | 55,000 | $0.33 | 1 October 2022 |
| 15 May 2017 | 133,333 | $0.33 | 1 October 2023 |
| 15 May 2017 | 133,334 | $0.33 | 1 October 2024 |
| 15 May 2017 | 350,000 | $0.33 | 1 July 2024 |
| | 1,521,667 | | |

No option holder has any right under the options to participate in any other share issue of the Group.

**Shares Issued on Exercise of Options**

To the date of this report, there have been no shares issued during or since the end of the year as a result of the exercise of an option over unissued shares.

**Shares Subject to Performance Rights**

Unissued ordinary shares of dorsaVi Ltd subject to performance rights at the date of this report are as follows:

| Date Performance Rights Granted | Number of Unissued Ordinary Shares subject to Performance Rights | Issue Price of Shares | Vesting Date of Performance Rights |
|---|---|---|---|
| 5 June 2017 | 547,334 | - | 1 October 2018 |
| 5 June 2017 | 547,332 | - | 1 October 2019 |
| 5 June 2017 | 1,317,000 | - | 1 July 2019 |
| | 2,411,666 | | |

A performance right holder does not have any right to participate in any other share issue of the Group until the performance rights vest and are converted to ordinary shares.

**Shares Issued on Vesting of Performance Rights**

During the year ended 30 June 2018 and to the date of this report, 612,363 shares were issued on the vesting of 612,363 performance rights. During the year ended 30 June 2018 and to the date of this report, 724,971 performance rights were cancelled. There remain 2,411,666 performance rights that do not convert to issued shares unless performance conditions are met, and they vest.

**Information on Directors and Company Secretary**

***Gregory John Tweedly, B. Com, CPA, GAICD – Non-executive Chairman***

Greg Tweedly was appointed Chairman of dorsaVi Ltd on 23 November 2017 and served on the Nomination and Remuneration Committee for the whole year. Prior to becoming Chairman, he was a non-executive director and chair of the Audit and Risk Committee. He retired from the Audit and Risk Committee on 23 November 2017. He was appointed to the Board on 29 October 2013.

Greg is a Director of Melbourne Health, Deputy Chair Environmental Authority, Chair of the Personal Injury Education Foundation and was a Director and CEO of the Victorian WorkCover Authority (WorkSafe) from 2003 to 2012. Prior to joining WorkSafe, Greg was an executive with the Transport Accident Commission from 1996 to 2002 in various senior roles including Chief Operating Officer. He was formerly a Director of the Emergency Services and Telecommunications Authority, Director of the Institute of Safety Compensation and Recovery Research, a Director of the Personal Injury Education Foundation, a Director and Chair of the Victorian Trauma Foundation, Chair of the Heads of Workers' Compensation Authorities of Australia and New Zealand and Member of SafeWork Australia and its predecessor organisation.

No other directorships of listed companies were held during the three years to 30 June 2018.

***Ashraf Attia, BSc (Eng)(Hons), MSc (Biomed. Eng), Dip (Mktg), FAICD – Non-executive Director***

Ash Attia chairs the Nomination and Remuneration Committee and serves on the Audit and Risk Committee. He was appointed to the Board on 14 July 2008.

Ash has had extensive senior management experience in multinational operations for over 25 years within the medical devices, biotechnology and diagnostics industries. He is currently Vice President Asia Pacific and Middle East for TransMedics Inc. Prior to that, he held the position of Managing Director, Asia Pacific for St Jude Medical/Thoratec, a Group with global revenues of over 5.5 billion, which manufactures and sells cardiac assist devices for use by patients with heart failure. Ash has also consulted to several organisations in the areas of business development, strategic marketing, sales and marketing management, and distribution strategies.

No other directorships of listed companies were held during the three years to 30 June 2018.

***Michael Panaccio, BSc (Hons), MBA, PhD, FAICD – Non-executive Director***

Michael Panaccio serves on the Audit and Risk Committee and the Nomination and Remuneration Committee. He was appointed to the Board on 16 May 2008.

Michael is one of the founders of Starfish Ventures Pty Ltd, an Australian based venture capital manager. He was formerly an Investment Manager with JAFCO Investment (Asia Pacific). Prior to joining JAFCO, Michael was Head of the Department of Molecular Biology at the Victorian Institute of Animal Sciences. Michael has previously been a director of numerous technology businesses in Australia and the US including ImpediMed Ltd, SIRTeX Medical Ltd, Protagonist Therapeutic Inc and Energy Response Pty Ltd.

With the exception of ImpediMed Ltd, no other Directorships of listed companies were held during the three years to 30 June 2018. Michael is also a director of Starfish Ventures Pty Ltd, Armaron Bio Ltd, Ofidium Pty Ltd, Mimetica Pty Ltd, MetaCDN Pty Ltd and Cylite Pty Ltd.

***Caroline Elliott, B. Ec, CA, GAICD – Non-executive Director***

Caroline Elliott was appointed to the Board on 24 November 2017 and is chair of the Audit and Risk Committee.

Caroline is currently a Director of the National Film and Sound Archive of Australia, St John's Ambulance Australia (Vic) and Wiltrust Nominees Pty Ltd. She has previously held non-executive director roles at Cell Therapies, Peter MacCallum Cancer Centre and the Public Transport Ombudsman Limited. She is currently the Chief Operating Officer at retail fashion business Kookai and was previously the CFO and Company Secretary at Optal Limited.

No other directorships of listed companies were held during the three years to 30 June 2018.

***Andrew Ronchi, B. App. Sci. (Physio), PhD (RMIT Eng), GAICD – Chief Executive Officer, Director***

Andrew Ronchi was appointed to the Board on 18 February 2008.

Before co-founding dorsaVi, Andrew was a practising physiotherapist both at an AFL club and in private practice. He is a founding partner in two physiotherapy centres, the largest of these employing 28 staff (including 13 physiotherapists). Prior to the formation of dorsaVi, Andrew undertook a PhD in Computer and Systems Engineering, investigating the reliability and validity of transducers for measuring lumbar spine movement. As CEO of dorsaVi Ltd, Andrew is responsible for all aspects of the Group's operations.

No other directorships of listed companies were held during the three years to 30 June 2018.

***Brendan Case, MComLaw (Melb), BEc, CPA, Grad Dip App Fin, Dip FP, FCIS***

Brendan Case has served as dorsaVi Ltd's secretary since October 2013 and has more than 20 years of company secretarial, corporate governance and finance experience. He is a former Associate Company Secretary of National Australia Bank Limited (NAB), former secretary of NAB's Audit and Risk Committees and has held senior management roles in risk management and regulatory affairs.

**Directors' Meetings**

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

| | Board of Directors | | Audit and Risk Committee | |
|---|---|---|---|---|
| | Eligible to Attend | Attended | Eligible to Attend | Attended |
| Mr G Tweedly | 10 | 10 | 1 | 1 |
| Mr A Attia | 10 | 10 | 2 | 2 |
| Ms C Elliott (App. 24 Nov. 2017) | 6 | 5 | 1 | 1 |
| Dr M Panaccio | 10 | 10 | 2 | 2 |
| Mr H Elliott (Ret. 23 Nov. 2017) | 4 | 4 | - | - |
| Dr A Ronchi | 10 | 10 | - | - |

| | Nomination and Remuneration Committee | |
|---|---|---|
| | Eligible to Attend | Attended |
| Mr G Tweedly | 6 | 6 |
| Mr A Attia | 4 | 4 |
| Dr M Panaccio | 6 | 6 |
| Mr H Elliott (Ret 23 Nov. 2017) | 2 | 2 |

**Directors' Interest in Shares, Performance Rights or Options as at 30 June 2018**

| Names of Holders | Ordinary Shares of dorsaVi Ltd |
|---|---|
| Michael Panaccio | 72,421,255 |
| Andrew James Ronchi | 8,406,546 |
| Ashraf Attia | 211,139 |
| Gregory John Tweedly | 86,347 |

The directors have no interests in performance rights or options over shares in dorsaVi Ltd as at the date of this report with the exception of Andrew Ronchi who has an interest in 750,000 performance rights which, subject to the satisfaction of performance conditions, can vest into shares progressively over the next two financial years.

**Indemnification and Insurance of Directors and Officers**

The Group has insured its Directors, Secretary and executive officers for the financial year ended 30 June 2018. Under the Group's Directors and Officers Liability Insurance Policy, the Group cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium.

The Group also indemnifies every person who is or has been an officer of the Group against any liability (other than for legal costs) incurred by that person as an officer of the Group where the Group requested the officer to accept appointment as Director.

To the extent permitted by law and subject to the restrictions in section 199A and 199B of the *Corporations Act 2001*, the Group indemnifies every person who is or has been an officer of the Group against reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Group.

**ASIC Instrument on Rounding of Amounts**

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial statements have been rounded to the nearest dollar.

**Indemnification and Insurance of Auditors**

No indemnities have been given or insurance premiums paid during or since the end of the financial year for any auditors of the Group.

**Proceedings on behalf of the Group**

No person has applied for leave of Court to bring proceedings on behalf of the Group.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

**Non-audit Services**

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners Melbourne, network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by dorsaVi Ltd and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for dorsaVi Ltd or any of its related entities, acting as an advocate for dorsaVi Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of dorsaVi Ltd or any of its related entities.

| | **2018 $** | **2017 $** |
|---|---|---|
| **Amounts Paid and Payable to Pitcher Partners Melbourne for Non-audit Services:** | | |
| Taxation and Other Compliance Services | 23,450 | 26,831 |
| **Total Remuneration for Non-audit Services** | 23,450 | 26,831 |

**Remuneration Report (Audited)**

The Directors present the Group's 2018 Remuneration Report, which details the remuneration information for dorsaVi Ltd's, Non-Executive Directors, Executive Directors and other Key Management Personnel (KMP).

## A. Details of the Key Management Personnel

| | Period of Responsibility | Position |
|---|---|---|
| **Directors** | | |
| Greg Tweedly | Full Year | Chairman (from 23 November 2017), Non-Executive Director |
| Herb Elliott | Retired 23 November 2017 | Chairman, Non-Executive Director |
| Caroline Elliott | Appointed 24 November 2017 | Independent, Non-Executive Director |
| Ashraf Attia | Full Year | Independent, Non-Executive Director |
| Michael Panaccio | Full Year | Non-Executive Director |
| **Executive Director** | | |
| Andrew Ronchi | Full Year | Chief Executive Officer/Director |
| **Executives** | | |
| Matthew May | Full Year | General Manager |
| Damian Connellan | Full Year | Chief Financial Officer |
| Megan Connell | Full Year | Chief Marketing Officer |
| Meagan Blackburn | Full Year | Chief Innovation Officer |
| David Erikson | Appointed 16 April 2018 | Chief Technology Officer |
| Muhammad Umer | Resigned 30 April 2018 | Software Architect |
| Zoë Whyatt | Full Year | Chief Operating Officer, Europe |
| Mark Heaysman | Until 11 April 2018 | Chief Operating Officer, USA |

## B. Remuneration Policies

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors is responsible for making recommendations to the Board on the remuneration arrangements for each Non-Executive Director (NED), Executive Director/Chief Executive Officer (CEO) and each Executive reporting to the CEO. The current members of the Nomination and Remuneration Committee are: Ashraf Attia, Michael Panaccio and Greg Tweedly.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality, high performing directors and executive team. In determining the level and composition of executive remuneration, the Nomination and Remuneration Committee may also engage external consultants to provide independent advice.

The primary responsibility of the Nomination and Remuneration Committee is to review and recommend to the Board:

- Executive remuneration and incentive policies and practices;
- The Executive Director's total remuneration having regard to remuneration and incentive policies;
- The design and total proposed payments from any executive incentive plan and reviewing the performance hurdles for any equity-based plan;
- The remuneration and related policies of Non-Executive Directors for serving on the board and any committee (both individually and in total); and
- Any other responsibilities as determined by the Nomination and Remuneration Committee or the Board from time to time.

### Remuneration Strategy

The remuneration strategy of dorsaVi Ltd is designed to attract, motivate and retain Employees, Executives and Non-Executive Directors in Australia, the United States and Europe by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, the key objectives of the Group's reward framework are to:

- Align remuneration with the Group's business strategy;
- Offer an attractive mix of remuneration benchmarked against the applicable market's region and country practices;
- Provide strong linkage between individual and Group performance and rewards;
- Offer remuneration based on internal equity with other employees and individual skill matching the role requirements with their experience and responsibilities;
- Align the interests of executives and shareholders and share the success of the Group with the employees; and
- Support the corporate mission statement, values and policies through the approach to recruiting, organizing and managing people.

**Remuneration Structure**

In accordance with best practice corporate governance, the structure of the non-executive directors and executive remuneration is separate and distinct.

**Non-Executive Director Remuneration Structure**

The ASX Listing Rules specify that an entity must not increase the total aggregate amount of remuneration of Non-Executive Directors without the approval of holders of its ordinary securities.

The Board, and since its inception the Nomination and Remuneration Committee, considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Group's Board. This remuneration is reviewed with regard to market practice and Directors' duties and accountability.

The constitution provides that the Non-Executive Directors are entitled to remuneration for their services as determined by the Board up to an aggregate limit of $500,000 (which may be increased with Shareholder approval). The Group has obtained advice about remuneration levels for Directors of listed companies and, based on that advice, set the following annual non-executive Directors' fees:

- Chairman: $75,092 plus superannuation;
- Other Directors: $50,000 plus superannuation; and
- Further fees for acting as chairman of a committee: $5,000 plus superannuation per committee.

The Group determines the maximum amount for remuneration, including thresholds for share-based remuneration for Executives, by resolution. The remuneration received by the Non-Executive Directors for the year ended 30 June 2018 is detailed in Table 1 of this section of the report.

Non-executive directors receive fees and do not receive incentive payments or share based payments.

**Executive Remuneration Structure**

The Group provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the Group and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning director and shareholder interests.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation); and
- Variable remuneration – short term incentives (STI) in the form of an annual incentive plan and long-term equity incentive (LTI). STI and LTI are currently only provided to KMP by way of share-based payments and include no cash component.

**Fixed Remuneration**

***Objective***

Fixed remuneration is reviewed annually by the Board / Nomination and Remuneration Committee. The process consists of a review of the Group and individual performance, relevant comparative remuneration from external and internal sources and where appropriate, external advice on policies and practices.

***Structure***

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and allowances (such as motor vehicle allowance). It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

**Variable Remuneration – Short-Term Incentive (STI)**

***Objective***

The key objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

***Structure***

Any STI granted depend on the extent to which specific targets set at the beginning of the financial year or on appointment are met. The Key Milestones or Key Performance Indicators (KPI's) cover individual, team and organisational financial measures of performance. Typically included are measures such as: Achieving sales/revenue targets and/or growth, and meeting Group compliance requirements. These measures were chosen as they represent the key drivers for the short-term success of dorsaVi.

The Group has predetermined benchmarks that must be met in order to trigger STI under the STI scheme. Either on an annual or financial year basis, after consideration of performance against the Key Milestones or KPIs, the Nomination and Remuneration Committee, in line with their responsibilities determine the amount, if any, of the STI to be awarded to each Executive. This process usually occurs within one month after the trigger date. Typically, STI awards are made under the Employee Share Ownership Plan (ESOP) and are delivered in the form of share options or performance rights. Each option entitles the holder to one fully paid ordinary share of dorsaVi Ltd at an exercise price to be determined in accordance with the ESOP or by determination by the Nomination and Remuneration Committee. Each performance right vested entitles the holder to one fully paid ordinary share of dorsaVi Ltd at $Nil price.

The annual STI available for executives across the Group are subject to the approval of the Nomination and Remuneration Committee.

**Variable Remuneration – Long-Term Incentive (LTI)**

***Objective***

The objectives of providing long term incentives are: To motivate and retain key dorsaVi employees; to attract quality employees; to create commonality of purpose between dorsaVi and its employees; to add wealth for all shareholders of the Group through the motivation of dorsaVi's employees; and by allowing dorsaVi's employees to share the rewards of the success of dorsaVi through the acquisition of, or entitlements to, shares and options.

***Structure***

The Board offers LTIs to reward the performance of employees, which is in alignment with shareholders' interests and the long-term benefit of the Group. LTI awards are made under the Employee Share Ownership Plan (ESOP) and are delivered in the form of share options, performance rights or loan for shares. Each option entitles the holder to one fully paid ordinary share of dorsaVi Ltd at an exercise price to be determined in accordance with the ESOP or by determination by the Nomination and Remuneration Committee. Each performance right vested entitles the holder to one fully paid ordinary share of dorsaVi Ltd at $Nil price.

Where an LTI participant ceases employment prior to vesting in their award, the options and unvested performance rights are forfeited unless the Nomination and Remuneration Committee applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.

Options and performance rights have been granted, under the ESOP plan. See Table 6.

**Employment Agreements**

The Group has entered into Employment Agreements with all executives, including the CEO. The Group may terminate the Executive's Employment Agreements by providing at least one month's written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Group may terminate the contract at any time without notice if serious misconduct has occurred.

The notice periods for key management personnel are as follows:

| Name | Notice Period |
|---|---|
| Andrew Ronchi | 6 months |
| Matthew May | 3 months |
| Damian Connellan | 3 months |
| Megan Connell | 8 weeks |
| Meagan Blackburn | 8 weeks' notice until 3 years of continuous employment. One additional week for each completed year of continuous employment up to a maximum of 12 weeks' notice. |
| David Erikson | 3 months |
| Zoë Whyatt | 12 weeks |

**CEO Remuneration**

In January 2018 Andrew Ronchi relocated to the USA. Before his relocation his fixed remuneration was $250,000 per annum plus superannuation giving a total of $273,750 inclusive of superannuation. Subsequent to his relocation his fixed remuneration is US$360,000, including medical benefits insurance, plus director's fees of A$25,000 per annum. In addition, Andrew Ronchi has, as approved at a meeting of shareholders, been granted 900,000 performance rights. The vesting of these performance rights is subject to performance conditions over three years but will not fully vest before 29 November 2019. During 2018; 75,000 of these performance rights vested into shares and 75,000 lapsed. As at 30 June 2018; 750,000 of these performance rights remained outstanding. Upon termination of Andrew Ronchi's employment contract, he will be subject to a restraint of trade for a maximum of 12 months.

## C. Details of Key Management Personnel Remuneration

### *(a) Non-Executive Directors' Remuneration: Table 1*

| | Short-Term | Post-employment | TOTAL | Total performance related | Share based payments as % of total |
|---|---|---|---|---|---|
| **2018** | **Salary fees** | **Pension Plan** | | | |
| | $ | $ | $ | % | % |
| **Non-Executive Directors** | | | | | |
| H Elliott (ii) | 30,975 | 2,943 | 33,918 | - | - |
| C Elliott (iii) | 32,083 | 3,048 | 35,131 | - | - |
| A Attia | 54,781 | 5,204 | 59,985 | - | - |
| M Panaccio (i) | 54,120 | - | 54,120 | - | - |
| G Tweedly | 66,888 | 6,354 | 73,242 | - | - |
| | **238,847** | **17,549** | **256,396** | **-** | **-** |

(i) Michael Panaccio provides his services via Starfish Technology Fund II, LP.
(ii) Retired 23 November 2017
(iii) Appointed 24 November 2017

| | Short-Term | Post-employment | TOTAL | Total performance related | Share based payments as % of total |
|---|---|---|---|---|---|
| **2017** | **Salary fees** | **Pension Plan** | | | |
| | $ | $ | $ | % | % |
| **Non-Executive Directors** | | | | | |
| H Elliott | 74,341 | 7,062 | 81,403 | - | - |
| A Attia | 54,450 | 5,173 | 59,623 | - | - |
| M Panaccio (i) | 54,120 | - | 54,120 | - | - |
| G Tweedly | 49,912 | 9,710 | 59,622 | - | - |
| | **232,823** | **21,945** | **254,768** | **-** | **-** |

(i) Michael Panaccio provides his services via Starfish Technology Fund II, LP.

### *(b) Executives' Remuneration: Table 2*

| | Short-Term | | Post-employment | Share-based payments | TOTAL | Total performance related | Share based payments as % of total |
|---|---|---|---|---|---|---|---|
| **2018** | **Salary, fees** | **Other (i)** | **Pension Plan** | **Equity (ii)** | | | |
| | $ | $ | $ | $ | $ | % | % |
| **Executive Director** | | | | | | | |
| A Ronchi (iii) | 343,302 | 13,861 | 22,524 | 103,255 | 482,942 | - | 21.4 |
| **Executives** | | | | | | | |
| M Blackburn | 205,000 | - | 19,475 | 60,984 | 285,459 | - | 21.4 |
| D Connellan | 109,200 | - | - | - | 109,200 | - | - |
| M Connell | 140,000 | - | 13,299 | 40,553 | 193,852 | - | 20.9 |
| D Erikson (iv) | 38,528 | - | 3,660 | - | 42,188 | - | - |
| M Heaysman (iii) (v) | 278,039 | 16,501 | - | 43,257 | 337,797 | - | 12.8 |
| M May | 235,000 | - | 19,762 | 66,710 | 321,472 | - | 20.8 |
| M Umer (vi) | 177,380 | - | 11,875 | - | 189,255 | - | - |
| Z Whyatt (iii) | 138,841 | 17,143 | 4,165 | 54,943 | 215,092 | - | 25.5 |
| | **1,665,290** | **47,505** | **94,760** | **369,702** | **2,177,257** | **-** | **17.0** |

(i) Other benefits include the payment of certain health and disability related insurance premiums in the US and UK.
(ii) Share based payments comprise mixture of the grant of options, performance rights, and, loan shares backed by an interest free, no-recourse loan. For accounting purposes, all these equity instruments are valued the same as options.
(iii) Foreign currency amounts are converted into AUD at the average exchange rates applicable throughout the year.
(iv) Commenced 16 April 2018.
(v) Ceased to be a KMP, 11 April 2018.
(vi) Resigned, 30 April 2018.

| | Short-Term | | Post-employment | Share-based payments | TOTAL | Total performance related | Share based payments as % of total |
|---|---|---|---|---|---|---|---|
| **2017** | **Salary, fees** | **Other (i)** | **Pension Plan** | **Equity (ii)** | | | |
| | $ | $ | $ | $ | $ | % | % |
| **Executive Director** | | | | | | | |
| A Ronchi | 249,999 | - | 19,616 | 97,402 | 367,017 | - | 26.5 |
| **Executives** | | | | | | | |
| M Blackburn | 205,000 | - | 19,475 | 8,560 | 233,035 | - | 3.7 |
| D Connellan | 109,289 | - | - | - | 109,289 | - | - |
| M Connell | 119,013 | - | 11,306 | 4,410 | 134,729 | - | 3.3 |
| M Heaysman (iii) | 281,039 | 68,062 | 9,738 | 33,629 | 392,468 | - | 8.6 |
| M May | 205,000 | - | 19,475 | 39,252 | 263,727 | - | 14.9 |
| M Umer | 150,000 | - | 14,250 | 3,378 | 167,628 | - | 2.0 |
| Z Whyatt (iii) | 134,431 | 16,659 | 4,033 | 104,254 | 259,377 | - | 40.2 |
| | **1,453,771** | **84,721** | **97,893** | **290,885** | **1,927,270** | **-** | **15.1** |

(i) Other benefits include the payment of a relocation allowance and health and disability related insurance premiums in the US and UK.
(ii) Share based payments comprise mixture of the grant of options, performance rights, and, loan shares backed by an interest free, no-recourse loan. For accounting purposes, all these equity instruments are valued the same as options.
(iii) Foreign currency amounts are converted into AUD at the average exchange rates applicable throughout the year.

## D. Relationship between Remuneration and Group Performance

### *(a) Remuneration Not Dependent on Satisfaction of Performance Condition*

The non-executive remuneration policy is not directly related to Group performance. The Board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the Group for shareholders.

### *(b) Remuneration Dependent on Satisfaction of Performance Condition*

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonus and long-term incentive plan. Performance-based remuneration granted to key management personnel has regard to Group performance over a twelve month to 2-year period.

***The following table summarises the performance conditions for KMP with performance-linked equity instruments: Table 3.***

| KMP | Conditions for vesting of Options and Performance Rights |
|---|---|
| Andrew Ronchi | Key Milestones as determined by and at the discretion of the Board |
| Matthew May | Key Milestones as determined by and at the discretion of the Board |
| Damian Connellan | Key Milestones as determined by and at the discretion of the Board |
| Megan Connell | Key Milestones as determined by and at the discretion of the Board |
| Meagan Blackburn | Key Milestones as determined by and at the discretion of the Board |
| David Erikson | Key Milestones as determined by and at the discretion of the Board |
| Zoe Whyatt | Key Milestones as determined by and at the discretion of the Board |

These vesting conditions were selected to promote the creation of shareholder wealth during the period.

***The following Table sets out the Terms and Conditions of each Grant of the Performance-Linked Bonus affecting Compensation in Current and Future Years: Table 4***

As at the date of this report the following performance linked bonuses are payable for key management personnel.

| | Total Potential Performance Link Bonus | Awarded/Available | Forfeited |
|---|---|---|---|
| 2018 | $ | % | % |
| A Ronchi | 103,255 | 70% | 30% |
| M Blackburn | 60,984 | 72% | 28% |
| M Connell | 40,553 | 76% | 24% |
| M Heaysman | 43,257 | 52% | 48% |
| M May | 66,710 | 61% | 39% |
| Z Whyatt | 54,943 | 68% | 32% |

(i) All performance bonuses are in the form of performance rights that convert to shares on their vesting date, 1 October 2018 or 1 January 2019, or options, and have been valued at the market share price on date of grant.

### *(c) Consequences of Group's Performance on Shareholder Wealth*

***The following Table summarises Group Performance and Key Performance Indicators: Table 5***

| Company Performance | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenue | 4,394,271 | 3,897,882 | 3,238,138 | 1,850,416 | 767,418 |
| % increase in revenue | 13% | 20% | 75% | 141% | 42% |
| Loss before tax | (4,640,744) | (4,717,447) | (5,915,567) | (8,684,709) | (4,121,606) |
| % (increase)/decrease in loss before tax | 2% | 20% | 32% | (111%) | (90%) |
| Change in share price | (59%) | 7% | 4% | (41%) | 10% |
| Dividend paid to shareholders | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total remuneration of KMP | 2,433,653 | 2,182,038 | 2,450,850 | 2,442,136 | 1,213,960 |
| Total performance-based remuneration | 369,702 | 290,885 | 98,264 | 140,295 | 79,512 |

## E. Key Management Personnel's Share-Based Compensation

### *(a) Details of Compensation Equity*

***Table 6***

| 2018 | | | | | | | Terms and conditions for each grant | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Grant Date (i)** | **Number Granted** | **Value per unit at grant date** | **Vested during the year** | **Year in which equity may vest** | **Vest** | **Lapsed/re-moved during the year** | **Exercise Price** | **Expiry Date** | **First Exercise Date** | **Last Exercise Date** |
| | | **$** | | | **%** | | **$** | | | |
| **Executives** | | | | | | | | | | |
| A Ronchi: | | | | | | | | | | |
| 29-Nov-16 | 150,000 | 0.45 | 75,000 | 2018 | 50% | 75,000 | - | 1-Oct-17 | N/A | N/A |
| 29-Nov-16 | 150,000 | 0.45 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 29-Nov-16 | 150,000 | 0.45 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 29-Nov-16 | 450,000 | 0.45 | - | 2020 | - | - | - | 29-Nov-19 | 29-Nov-19 | 29-Nov-19 |
| Z Whyatt: | | | | | | | | | | |
| 15-May-17 | 500,000 | 0.33 | - | 2017 | 100% | - | 0.33 | 15-May-22 | 15-May-17 | 15-May-22 |
| 15-May-17 | 133,333 | 0.33 | 55,000 | 2018 | 41% | 78,333 | 0.33 | 1-Oct-22 | 1-Oct-17 | 1-Oct-22 |
| 15-May-17 | 133,333 | 0.33 | - | 2019 | - | - | 0.33 | 1-Oct-23 | 1-Oct-18 | 1-Oct-23 |
| 15-May-17 | 133,334 | 0.33 | - | 2020 | - | - | 0.33 | 1-Oct-24 | 1-Oct-19 | 1-Oct-24 |
| 15-May-17 | 350,000 | 0.33 | - | 2020 | - | - | 0.33 | 1-Jul-24 | 1-Jul-19 | 1-Jul-24 |
| M Heaysman: (ii) | | | | | | | | | | |
| 3-Jul-14 | 250,000 | 0.04 | - | 2017 | - | 250,000 | 0.46 | 3-Jul-19 | N/A | N/A |
| 17-Aug-15 | 500,000 | 0.17 | - | 2020 | - | 500,000 | 0.26 | 17-Aug-20 | N/A | N/A |
| 5-Jun-17 | 83,334 | 0.31 | 31,250 | 2018 | 37% | 52,084 | - | 1-Jan-18 | N/A | N/A |
| 5-Jun-17 | 83,334 | 0.31 | - | 2019 | - | 83,334 | - | 1-Jan-19 | N/A | N/A |
| 5-Jun-17 | 333,332 | 0.31 | - | 2020 | - | 333,332 | - | 1-Jan-20 | N/A | N/A |
| M Connell: | | | | | | | | | | |
| 5-Jun-17 | 50,000 | 0.31 | 33,750 | 2018 | 68% | 16,250 | - | 1-Oct-17 | N/A | N/A |
| 5-Jun-17 | 50,000 | 0.31 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 5-Jun-17 | 50,000 | 0.31 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 5-Jun-17 | 150,000 | 0.31 | - | 2020 | - | - | - | 1-Jul-19 | 1-Jul-19 | 1-Jul-19 |
| M Blackburn: | | | | | | | | | | |
| 5-Jun-17 | 100,000 | 0.31 | 67,000 | 2018 | 67% | 33,000 | - | 1-Oct-17 | N/A | N/A |
| 5-Jun-17 | 100,000 | 0.31 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 5-Jun-17 | 100,000 | 0.31 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 5-Jun-17 | 150,000 | 0.31 | - | 2020 | - | - | - | 1-Jul-19 | 1-Jul-19 | 1-Jul-19 |
| M May: | | | | | | | | | | |
| 5-Nov-14 | 20,000 | 0.27 | - | 2019 | 100% | - | 0.40 | 5-Nov-19 | N/A | N/A |
| 5-Jun-17 | 100,000 | 0.31 | 100,000 | 2017 | 100% | - | - | 1-Jul-17 | N/A | N/A |
| 5-Jun-17 | 125,000 | 0.31 | 52,500 | 2018 | 42% | 72,500 | - | 1-Oct-17 | N/A | N/A |
| 5-Jun-17 | 125,000 | 0.31 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 5-Jun-17 | 125,000 | 0.31 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 5-Jun-17 | 200,000 | 0.31 | - | 2020 | - | - | - | 1-Jul-19 | 1-Jul-19 | 1-Jul-19 |
| M Umer: (iii) | | | | | | | | | | |
| 25-Feb-15 | 30,000 | 0.23 | - | 2020 | 100% | 30,000 | 0.36 | 25-Feb-20 | N/A | N/A |
| 5-Jun-17 | 25,000 | 0.31 | 16,063 | 2018 | 64% | 8,937 | - | 1-Oct-17 | N/A | N/A |
| 5-Jun-17 | 25,000 | 0.31 | - | 2019 | - | 25,000 | - | 1-Oct-18 | N/A | N/A |
| 5-Jun-17 | 25,000 | 0.31 | - | 2020 | - | 25,000 | - | 1-Oct-19 | N/A | N/A |
| 5-Jun-17 | 75,000 | 0.31 | - | 2020 | - | 75,000 | - | 1-Jul-19 | N/A | N/A |
| | **5,025,000** | | **430,563** | | | **1,657,770** | | | | |

(i) The options and performance rights granted during 2017 are subject to performance and retention conditions.
(ii) M Heaysman ceased to be a member of the KMP, 11 April 2018.
(iii) M Umer resigned, 30 April 2018.

As at 30 June 2018, no options have been exercised and, accordingly, no shares have been issued as a result of options previously vested. During the year ended 30 June 2018, 375,563 shares have been issued as a result of performance rights vesting and 382,771 Performance rights lapsed.

| 2017 | | | | | | | Terms and conditions for each grant | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grant Date (i) | Number Granted | Value per unit at grant date | Vested during the year | Year in which equity may vest | Vest | Lapsed during the year | Exercise Price | Expiry Date | First Exercise Date | Last Exercise Date |
| | | $ | | | % | | $ | | | |
| **Executives** | | | | | | | | | | |
| A Ronchi: | | | | | | | | | | |
| 29-Nov-16 | 150,000 | 0.45 | - | 2018 | - | - | - | 1-Oct-17 | 1-Oct-17 | 1-Oct-17 |
| 29-Nov-16 | 150,000 | 0.45 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 29-Nov-16 | 150,000 | 0.45 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 29-Nov-16 | 450,000 | 0.45 | - | 2020 | - | - | - | 29-Nov-19 | 29-Nov-19 | 29-Nov-19 |
| Z Whyatt: | | | | | | | | | | |
| 30-Sep-15 | 250,000 | 0.28 | - | 2016 | - | 250,000 | 0.28 | - | - | - |
| 30-Sep-15 | 250,000 | 0.28 | - | 2017 | - | 250,000 | 0.28 | - | - | - |
| 30-Sep-15 | 250,000 | 0.28 | - | 2018 | - | 250,000 | 0.28 | - | - | - |
| 15-May-17 | 500,000 | 0.33 | 500,000 | 2017 | 100% | - | 0.33 | 15-May-22 | 15-May-17 | 15-May-22 |
| 15-May-17 | 133,333 | 0.33 | - | 2018 | - | - | 0.33 | 1-Oct-22 | 1-Oct-17 | 1-Oct-22 |
| 15-May-17 | 133,333 | 0.33 | - | 2019 | - | - | 0.33 | 1-Oct-23 | 1-Oct-18 | 1-Oct-23 |
| 15-May-17 | 133,334 | 0.33 | - | 2020 | - | - | 0.33 | 1-Oct-24 | 1-Oct-19 | 1-Oct-24 |
| 15-May-17 | 350,000 | 0.33 | - | 2020 | - | - | 0.33 | 1-Jul-24 | 1-Jul-19 | 1-Jul-24 |
| M Heaysman: | | | | | | | | | | |
| 3-Jul-14 | 250,000 | 0.04 | - | 2017 | - | - | 0.46 | 3-Jul-19 | N/A | N/A |
| 17-Aug-15 | 500,000 | 0.17 | - | 2020 | - | - | 0.26 | 17-Aug-20 | N/A | N/A |
| 5-Jun-17 | 83,334 | 0.31 | - | 2018 | - | - | - | 1-Jan-18 | 1-Jan-18 | 1-Jan-18 |
| 5-Jun-17 | 83,334 | 0.31 | - | 2019 | - | - | - | 1-Jan-19 | 1-Jan-19 | 1-Jan-19 |
| 5-Jun-17 | 333,332 | 0.31 | - | 2020 | - | - | - | 1-Jan-20 | 1-Jan-20 | 1-Jan-20 |
| M Connell: | | | | | | | | | | |
| 5-Jun-17 | 50,000 | 0.31 | - | 2018 | - | - | - | 1-Oct-17 | 1-Oct-17 | 1-Oct-17 |
| 5-Jun-17 | 50,000 | 0.31 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 5-Jun-17 | 50,000 | 0.31 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 5-Jun-17 | 150,000 | 0.31 | - | 2020 | - | - | - | 1-Jul-19 | 1-Jul-19 | 1-Jul-19 |
| M Blackburn: | | | | | | | | | | |
| 5-Jun-17 | 100,000 | 0.31 | - | 2018 | - | - | - | 1-Oct-17 | 1-Oct-17 | 1-Oct-17 |
| 5-Jun-17 | 100,000 | 0.31 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 5-Jun-17 | 100,000 | 0.31 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 5-Jun-17 | 150,000 | 0.31 | - | 2020 | - | - | - | 1-Jul-19 | 1-Jul-19 | 1-Jul-19 |
| M May: | | | | | | | | | | |
| 5-Nov-14 | 20,000 | 0.27 | - | 2019 | 100% | - | 0.40 | 5-Nov-19 | N/A | N/A |
| 5-Jun-17 | 100,000 | 0.31 | - | 2017 | - | - | - | 1-Jul-17 | 1-Jul-17 | 1-Jul-17 |
| 5-Jun-17 | 125,000 | 0.31 | - | 2018 | - | - | - | 1-Oct-17 | 1-Oct-17 | 1-Oct-17 |
| 5-Jun-17 | 125,000 | 0.31 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 5-Jun-17 | 125,000 | 0.31 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 5-Jun-17 | 200,000 | 0.31 | - | 2020 | - | - | - | 1-Jul-19 | 1-Jul-19 | 1-Jul-19 |
| M Umer: | | | | | | | | | | |
| 25-Feb-15 | 30,000 | 0.23 | - | 2020 | 100% | - | 0.36 | 25-Feb-20 | N/A | N/A |
| 5-Jun-17 | 25,000 | 0.31 | - | 2018 | - | - | - | 1-Oct-17 | 1-Oct-17 | 1-Oct-17 |
| 5-Jun-17 | 25,000 | 0.31 | - | 2019 | - | - | - | 1-Oct-18 | 1-Oct-18 | 1-Oct-18 |
| 5-Jun-17 | 25,000 | 0.31 | - | 2020 | - | - | - | 1-Oct-19 | 1-Oct-19 | 1-Oct-19 |
| 5-Jun-17 | 75,000 | 0.31 | - | 2020 | - | - | - | 1-Jul-19 | 1-Jul-19 | 1-Jul-19 |
| | **5,775,000** | | **500,000** | | | **750,000** | | | | |

(i) The options and performance rights granted during the current year are subject to performance and retention conditions.

## F. Key Management Personnel’s Equity Holdings

### *(a) Number of Equity Holdings held by Key Management Personnel*

As at 30 June 2018, key management personnel held options, under the Group’s Employee Share Ownership Plan 2013, to purchase 1,171,667 ordinary shares of the Group. As at 30 June 2018, 555,000 of these options had vested and were convertible to shares.

As at 30 June 2018, key management personnel held 2,216,666 performance rights, under the Group’s Employee Share Ownership Plan 2013, which, on vesting, convert to 2,216,666 ordinary shares of the Group. As at 30 June 2018, none of these performance rights had vested and converted to shares.

### *(b) Number of Shares held by Key Management Personnel (Consolidated)*

The relevant interest of each key management personnel in the share capital of the Group as notified the ASX as at 30 June 2018 is as follows:

***Table 7***

| 2018 | Balance 1/07/17 | Received as Remuneration | Net change Other | Balance 30/06/18 |
|---|---|---|---|---|
| **Non-Executive Directors** | | | | |
| H Elliott (i) | 100,097 | - | (100,097) | - |
| A Attia | 211,139 | - | - | 211,139 |
| C Elliott | - | - | - | - |
| M Panaccio | 71,421,255 | - | - | 71,421,255 |
| M Panaccio (relevant interest) | 1,000,000 | - | - | 1,000,000 |
| G Tweedly | 86,347 | - | - | 86,347 |
| **Executive Director** | | | | |
| A Ronchi | 8,331,546 | 75,000 | - | 8,406,546 |
| **Executives** | | | | |
| M Connell | - | 33,750 | - | 33,750 |
| D Connellan | - | - | - | - |
| M Blackburn | 271,579 | 67,000 | - | 338,579 |
| D Erikson | - | - | - | - |
| Z Whyatt | 63,496 | - | - | 63,496 |
| M Umer (i) | 795,442 | 16,063 | (811,505) | - |
| M Heaysman (ii) | 1,168,972 | 31,250 | (1,200,222) | - |
| M May | 20,000 | 152,500 | - | 172,500 |
| | **83,469,873** | **375,563** | **(2,111,824)** | **81,733,612** |

(i) Resigned during the year.

(ii) Ceased to be a KMP during the year.

## G. Loans to Key Management Personnel

### *(a) Aggregate of Loans Made*

There were no loans made to key management personnel during the 2018 financial year (2017: $Nil). There were no outstanding loans to key management personnel as at 30 June 2018 (30 June 2017: $Nil).

## H. Other Transactions with Key Management Personnel

### *(a) Transactions with Key Management Personnel of the Entity or its Parent and their Personally Related Entities*

During the nine-month period ended 11 April 2018, dorsaVi Ltd paid $70,864 (2017: $104,038) to Safety Assess Pty Ltd a related Company of Dane Heaysman. These amounts are on normal commercial terms and were paid to these parties in their capacity as ViSafe Assessors on various ViSafe projects throughout the financial year. Dane Heaysman and the company are related to dorsaVi through Dane's relationship to his father, Mark Heaysman. Mark Heaysman ceased to be a KMP on 11 April 2018.

### *(b) Transactions with Other Related Parties*

Starfish Ventures Pty Ltd is a related party as it is connected with a director of dorsaVi Ltd. During the year ended 30 June 2018, Starfish Ventures Pty Ltd charged rent to dorsaVi Ltd. Total value of these rental charges was $109,346 (2017: $121,970). The rent was charged to dorsaVi on normal terms and conditions. The balance outstanding at balance date was $15,047 (2017: $14,916) included in Trade Payables at Note 14.

During the year ended 30 June 2018, dorsaVi Ltd paid $54,140 (2017: $54,120) to Starfish Technology Fund II, LP on behalf of Michael Panaccio for director's fees.

### I. Use of Remuneration Consultants

During the year the Board did not engage remuneration consultants.

### J. Voting and Comments made at the Group's 2017 Annual General Meeting (AGM)

At the Group's most recent AGM, resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

----------------------------------*End of the Remuneration Report*-----------------------------------------

Signed in accordance with a resolution of the directors

Greg Tweedly
Director and Chairman

Melbourne
Date: 19 September 2018

Andrew Ronchi
Director and CEO

Melbourne
Date: 19 September 2018

**AUDITOR'S INDEPENDENCE DECLARATION**
**To the Directors of dorsaVi Ltd.**

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of dorsaVi Ltd. and the entities it controlled during the year.

F V RUSSO
Partner

19 September 2019

PITCHER PARTNERS
Melbourne

# Financial Report for the Year Ended – 30 June 2018

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **Revenue and other income** | | | |
| Sales revenue | 4 | 3,433,348 | 3,466,027 |
| Other income | 4 | 960,923 | 431,855 |
| | | 4,394,271 | 3,897,882 |
| **Less: Expenses** | | | |
| Cost of sales | 5 | (873,625) | (1,068,139) |
| Advertising expenses | | (244,742) | (239,990) |
| Conference expenses | | (88,292) | (72,596) |
| Consultancy expenses | | (362,075) | (332,815) |
| Depreciation and amortisation expenses | 5 | (738,281) | (174,677) |
| Device development expenditure | | (26,654) | (181,033) |
| Employee benefits expenses | 5 | (4,498,316) | (4,302,643) |
| Write-off of goodwill | 5 | (112,110) | - |
| Occupancy expenses | 5 | (356,250) | (283,078) |
| Professional fees | | (543,182) | (446,470) |
| Regulatory expenses | | (90,474) | (86,800) |
| Software expenses | | (219,786) | (170,261) |
| Travel expenses | | (387,902) | (447,460) |
| Other expenses | | (493,326) | (809,367) |
| | | (9,035,015) | (8,615,329) |
| **Loss before income tax benefit** | | (4,640,744) | (4,717,447) |
| Income tax benefit | 6 | 913,671 | 841,199 |
| **Loss from continuing operations** | | (3,727,073) | (3,876,248) |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Exchange differences on translation of foreign subsidiaries net of tax | | (443,571) | 308,995 |
| Other comprehensive income for the year | | (443,571) | 308,995 |
| **Loss for the year** | | (4,170,644) | (3,567,253) |

| | | | |
|---|---|---|---|
| Loss per share for loss from continuing operations attributable to equity holders of the parent entity: | | | |
| Basic loss per share | 20 | (2.22 cents) | (2.45 cents) |
| Diluted loss per share | 20 | (2.22 cents) | (2.45 cents) |

The above statement should be ready in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 3,966,857 | 8,609,602 |
| Receivables | 9 | 2,189,079 | 2,410,615 |
| Inventories | 10 | 324,934 | 317,157 |
| Other assets | 11 | 235,995 | 146,125 |
| **Total current assets** | | 6,716,865 | 11,483,499 |
| **Non-current assets** | | | |
| Intangible assets | 12 | 3,884,253 | 2,607,199 |
| Plant and equipment | 13 | 324,331 | 381,094 |
| **Total non-current assets** | | 4,208,584 | 2,988,293 |
| **Total assets** | | 10,925,449 | 14,471,792 |
| **Current liabilities** | | | |
| Payables | 14 | 1,084,644 | 930,084 |
| Provisions | 15 | 381,782 | 385,696 |
| **Total current liabilities** | | 1,466,426 | 1,315,780 |
| **Non-current liabilities** | | | |
| Provisions | 15 | 41,858 | 30,340 |
| **Total non-current liabilities** | | 41,858 | 30,340 |
| **Total liabilities** | | 1,508,284 | 1,346,120 |
| **Net assets** | | 9,417,165 | 13,125,672 |
| **Equity** | | | |
| Share capital | 16 | 38,455,224 | 38,440,518 |
| Reserves | 17 | 731,407 | 758,286 |
| Accumulated losses | 17 | (29,769,466) | (26,073,132) |
| **Total equity** | | 9,417,165 | 13,125,672 |

The above statement should be ready in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 30 JUNE 2018

| Consolidated Entity | Share capital | Reserves | Accumulated losses | Total Equity |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance as at 1 July 2016** | 30,709,796 | 93,496 | (22,212,210) | 8,591,082 |
| Loss for the year | - | - | (3,876,248) | (3,876,248) |
| Exchange differences on translation of foreign operations, net of tax | - | 308,995 | - | 308,995 |
| **Total comprehensive income for the year** | - | **308,995** | **(3,876,248)** | **(3,567,253)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of shares | 7,999,972 | - | - | 7,999,972 |
| Cost of raising capital | (309,411) | - | - | (309,411) |
| Redemption of Employee share ownership plan | 40,161 | - | - | 40,161 |
| Employee share ownership plan | - | 371,121 | - | 371,121 |
| Options lapsed | - | (15,326) | 15,326 | - |
| | **7,730,722** | **355,795** | **15,326** | **8,101,843** |
| **Balance as at 30 June 2017** | **38,440,518** | **758,286** | **(26,073,132)** | **13,125,672** |
| **Balance as at 1 July 2017** | 38,440,518 | 758,286 | (26,073,132) | 13,125,672 |
| Loss for the year | - | - | (3,727,073) | (3,727,073) |
| Exchange differences on translation of foreign operations, net of tax | - | (443,571) | - | (443,571) |
| **Total comprehensive income for the year** | - | **(443,571)** | **(3,727,073)** | **(4,170,644)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Redemption of Employee share ownership plan | 14,706 | - | - | 14,706 |
| Employee share ownership plan | - | 447,431 | - | 447,431 |
| Options lapsed | - | (30,739) | 30,739 | - |
| | **14,706** | **416,692** | **30,739** | **462,137** |
| **Balance as at 30 June 2018** | **38,455,224** | **731,407** | **(29,769,466)** | **9,417,165** |

The above statement should be ready in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 4,389,596 | 3,475,183 |
| Payments to suppliers and employees | | (8,316,837) | (7,947,085) |
| Grants received | | 347,051 | 258,370 |
| Interest received | | 112,182 | 148,588 |
| Income tax refunded | | 870,640 | 678,220 |
| **Net cash used in operating activities** | 18 (b) | (2,597,368) | (3,386,724) |
| **Cash flow from investing activities** | | | |
| Payment for plant and equipment | | (49,980) | (133,492) |
| Payment for intangibles | | (2,010,103) | (1,630,089) |
| **Net cash used in investing activities** | | (2,060,083) | (1,763,581) |
| **Cash flow from financing activities** | | | |
| Proceeds from share issue | | - | 7,999,972 |
| Cost of raising capital | | - | (309,411) |
| Proceeds from employee share ownership plan | | 14,706 | 40,161 |
| **Net cash provided by financing activities** | | 14,706 | 7,730,722 |
| **Reconciliation of cash** | | | |
| Cash at beginning of the financial year | | 8,609,602 | 6,029,185 |
| Net (decrease) / increase in cash held | | (4,642,745) | 2,580,417 |
| **Cash at end of the year** | 18 (a) | 3,966,857 | 8,609,602 |

The above statement should be ready in conjunction with the accompanying notes.

# Notes to the Financial Statements

## TABLE OF CONTENTS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Basis of Preparation of the Financial Report

This financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers dorsaVi Ltd and controlled entities as a Group. dorsaVi Ltd is a company limited by shares, incorporated and domiciled in Australia at: Level 1, 120 Jolimont Road, East Melbourne East, Victoria, 3002. dorsaVi Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on the date of the director's report.

***Compliance with IFRS***

The consolidated financial statements of dorsaVi Ltd also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

***Historical Cost Convention***

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

***Significant Accounting Estimates and Judgements***

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

### (b) Going Concern

The Group incurred a loss from ordinary activities after income tax of $3,727,073 during the year ended 30 June 2018 (2017: $3,876,248) and had a net decrease in cash held of $4,642,745 (2017: Net increase in cash held $2,580,417). As at 30 June 2018, the Group's current assets exceed current liabilities by $5,250,439 (2017: $10,167,719).

The 2018 financial year has been a year of strategic change for the Group. The Group has continued its focus into driving penetration into the US clinical market and focused on building annuity revenue streams. Whilst, these strategic changes have seen a short-term financial impact on the Group through cash burn and low growth in revenue, in the longer term, the size of the US clinical market and scalability of annuity products, should provide the greatest opportunity for the Group and its shareholders.

In determining the basis for preparation of the financial report, the Directors have reviewed the financial performance, future operating plans (including cashflow forecasts), financial position and existing cash resources available to the Group. The Directors are confident that the Group will be able to continue as a going concern for at least 12 months from the date of authorisation of the financial report, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the need arise in the medium to long-term, the Company will seek to raise additional working capital through capital raises.

As a result of the above, the Directors have concluded that the going concern basis is appropriate.

Whilst the Directors are confident that the above initiatives will generate sufficient funds to enable the Group to continue as a going concern for a period of at least 12 months from the date of signing the financial report, should these initiatives be unsuccessful, there exists a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.

### (c) Principles of Consolidation

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity and of all entities, which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

### (d) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the provision of services to a customer is recognised upon performance of the service. Accrued income arising from recognised revenue is transferred to trade receivables when project milestones are achieved, and tax invoices are raised. Certain customers may be invoiced in advance of the provision of services and this unearned income is recognised as a liability until the service is performed.

Revenue from fixed price contracts is recognised by reference to the stage of completion. The stage of completion is determined using inputs from dorsaVi's project management methodology, including effort expended and effort to complete.

Revenue from grants is recognised in accordance with the recognition and measurement requirements of AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance". Revenue from grants does not include refundable research and development tax offsets. These are accounted for within Income Tax Expense.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Device rental income is recognised on a straight-line basis over the term of the rental term.

All revenue is stated net of the amount of goods and services tax (GST).

### (e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### (f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity.

### (g) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment loss.

***Plant and Equipment***

Plant and equipment is measured on a cost basis.

***Depreciation***

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

| Class of Fixed Asset | Depreciation Rates | Depreciation Basis |
|---|---|---|
| Testing equipment at cost | 10-67% | Diminishing value |
| Leased devices at cost | 20% | Straight line |
| Office equipment at cost | 10-67% | Diminishing value |
| Furniture, fixtures and fittings at cost | 10-20% | Diminishing value |
| Tooling at cost | 10% | Straight line |

**(h) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

***Operating Leases***

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

**(i) Intangibles**

***Goodwill***

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

***Patents***

Patents, trademarks and licenses are recognised at cost and depreciated on a straight-line basis over their effective lives, which is estimated to be 20 years.

***Research***

Expenditure on research activities is recognised as an expense when incurred.

***Development***

Development costs are capitalised when the entity can demonstrate all of the following: The technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using a straight-line method to allocate the cost of the intangible asset over its estimated useful life, which range from 5 to 10 years. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

**(j) Impairment of Non-Financial Assets**

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows - Cash Generating Units (CGU). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the CGU or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or CGU exceeds the asset's or CGU's recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of CGU's are allocated first against the carrying amount of any goodwill attributed to the CGU with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant CGU.

**(k) Income Tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities. Current Income Tax expense or revenue incudes refundable research and development tax offsets.

***Deferred Tax Balances***

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

***Tax Consolidation***

dorsaVi Ltd (parent entity) and its wholly owned subsidiary, (Australian Workplace Compliance Pty Ltd), have applied tax consolidation legislation and formed a tax-consolidated group from 1 July 2014. The parent entity and subsidiary in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- The parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- The subsidiary recognises current or deferred tax amounts arising in respect of their own transactions, events and balances;
- Current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of the subsidiary in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

**(l) Provision**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

## (m) Employee Benefits

### *(i) Short-Term Employee Benefit Obligations*

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

### *(ii) Long-Term Employee Benefit Obligations*

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

### *(iii) Retirement Benefit Obligations*

*Defined Contribution Superannuation Plan*

The Group makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

### *(iv) Share-Based Payments*

The Group operates share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

### *(v) Bonus Plan*

The Group recognises a provision when a bonus is payable in accordance with the employee’s contract of employment, and the amount can be reliably measured.

## (n) Borrowing Costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are expensed as incurred.

## (o) Financial Instruments

### *Classification*

The Group classifies its financial instruments in the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

***Loans and Receivables***

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

***Financial Liabilities***

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

***Impairment of Financial Assets***

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

**(p) Foreign Currency Translations and Balances**

***Functional and Presentation Currency***

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

***Transactions and Balances***

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

***Foreign Subsidiaries***

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

**(q) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (r) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency.

### (s) Rounding of Amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial statements have been rounded to the nearest dollar.

### (t) Accounting Standards Issued but not yet Effective at 30 June 2018

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

— AASB 9: Financial Instruments (December 2014), (applicable for annual reporting periods commencing on or after 1 January 2018).

  These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. Key changes that may affect the Group on application of AASB 9 and associated amending Standards include:

  — Simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
  — Permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
  — Simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  — Introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
  — Requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

  The adoption of AASB 9 is not expected to have on initial application a material impact on the Group's financial statements.

— AASB 15: Revenue from Contracts with Customer (applicable for annual reporting periods commencing on or after 1 January 2018).

  AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

  These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

  1. Identify the contract(s) with a customer;
  2. Identify the performance obligations under the contract(s);
  3. Determine the transaction price;
  4. Allocate the transaction price to the performance obligations under the contract(s); and
  5. Recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

The adoption of AASB 15 is not expected to have on initial application a material impact on the Group's financial statements.

— AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - Investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
  - Property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The adoption of AASB 16 is not expected to have on initial application a material impact on the Group's financial statements.

— AASB 2016-5: Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (applicable for annual reporting periods commencing on or after 1 January 2018).

This Amending Standard amends AASB 2: Share-based Payment to address:

- The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This Standard is not expected to significantly impact the Group's financial statements.

— AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration (applicable for annual reporting periods commencing on or after 1 January 2018).

Interpretation 22 clarifies that, in applying AASB 121: The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Accordingly, if there are multiple payments or receipts in advance, the entity is required to determine a date of the transaction for each payment or receipt of advance consideration.

This Interpretation is not expected to significantly impact the Group's financial statements.

— AASB Interpretation 23: Uncertainty over Income Tax Treatments (applicable for annual reporting periods commencing on or after 1 January 2019).

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112: Income Taxes when there is uncertainty over income tax treatments. To this end, Interpretation 23 requires:

- An entity to consider whether each uncertain tax treatment should be considered separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty;
- In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, assume that the taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations;
- If the entity concludes that it is probable that the taxation authority will accept the uncertain tax treatment, the entity will determine current tax and deferred tax consistently with the treatment used or planned to be used in its income tax filings;
- If the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity reflects the effect of uncertainty in the determination of current tax and deferred tax, based on either the 'most likely' amount or the 'probability-weighted' amount of tax (depending on which method the entity expects to better predict the resolution of the uncertainty); and
- An entity to reassess a judgement or estimate required under Interpretation 23 if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.

This Interpretation is not expected to significantly impact the Group's financial statements.

## NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

### (a) Impairment of Non-Financial Assets other than Goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

The recoverable amount of a CGU is based on value in use calculations. The Directors have determined that there is one CGU applicable to the cash flows generated. Value in use calculations are based on projected cash flows approved by management covering a maximum five-year period. Management's determination of cash flow projections are based on past performance and its expectations of the future.

The present value of future cash flows used to determine value in use have been calculated using: An average growth rate of 30% for years two to five and which is based on historical experience; a terminal value growth rate of 3% and a discount rate of 16%.

### (b) Income Tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

### (c) Employee Benefits

The calculation of long term employment benefits requires estimation of the retention of staff, future wage levels and timing of the settlement of employee entitlements. The estimates are based on historical trends.

### (d) Share Based Payments

Calculation of share-based payments requires estimation of the timing of the exercise of the underlying equity instrument. The estimates are based on historical trends.

## NOTE 3: FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks comprising:

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

The Board of directors has overall responsibility for identifying and managing operational and financial risks. The Group holds the following financial instruments:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 3,966,857 | 8,609,602 |
| Trade receivables | 1,164,759 | 1,490,542 |
| Other receivables | 1,024,320 | 893,466 |
| Related party receivables | - | 26,607 |
| | **6,155,936** | **11,020,217** |
| **Finance liabilities** | | |
| Trade payables | 228,901 | 304,012 |
| Related party payables | - | 1,000 |
| Other payables | 855,743 | 625,072 |
| | **1,084,644** | **930,084** |

### (a) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk through the operation of wholly owned subsidiaries in the United Kingdom and the United States of America.

Whilst operations in these geographical regions are in their infancy, the Group has not established a hedging policy to mitigate adverse currency risk.

***Sensitivity***

If foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values of all financials instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on loss for the year and equity is as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| +/- 100 basis points | | |
| Impact on loss after tax | 141,422 | 121,637 |
| Impact on equity | 141,422 | 121,637 |

### (b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

**2018**
**Financial Instruments**

| | Interest Bearing $ | Non-interest bearing $ | Total carrying amount $ | Weighted average effective interest rate |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Cash | 1,891,314 | - | 1,891,314 | 0.80% Floating |
| Flexi Deposit | 2,000,000 | - | 2,000,000 | 2.59% Fixed |
| Term Deposit | 26,602 | - | 26,602 | 2.52% Fixed |
| Term Deposit | 48,941 | - | 48,941 | 2.09% Fixed |
| Trade receivables | - | 1,164,759 | 1,164,759 | 0.00% |
| Other receivables | - | 1,024,320 | 1,024,320 | 0.00% |
| | 3,966,857 | 2,189,079 | 6,155,936 | |
| *Financial liabilities* | | | | |
| Trade payables | - | 228,901 | 228,901 | 0.00% |
| Other payables | - | 855,743 | 855,743 | 0.00% |
| | - | 1,084,644 | 1,084,644 | 0.00% |

**2017**
**Financial Instruments**

| | Interest Bearing $ | Non-interest bearing $ | Total carrying amount $ | Weighted average effective interest rate |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Cash | 2,534,495 | - | 2,534,495 | 1.50% Floating |
| Flexi Deposit | 3,500,000 | - | 3,500,000 | 2.55% Fixed |
| Floating Deposit | 2,500,000 | - | 2,500,000 | 2.47% Floating |
| Term Deposit | 26,602 | - | 26,602 | 2.65% Fixed |
| Term Deposit | 48,505 | - | 48,505 | 2.10% Fixed |
| Trade receivables | - | 1,490,542 | 1,490,542 | 0.00% |
| Other receivables | - | 893,466 | 893,466 | 0.00% |
| Related party receivables | - | 26,607 | 26,607 | 0.00% |
| | 8,609,602 | 2,410,615 | 11,020,217 | |
| *Financial liabilities* | | | | |
| Trade payables | - | 304,012 | 304,012 | 0.00% |
| Other payables | - | 625,072 | 625,072 | 0.00% |
| Related party payables | - | 1,000 | 1,000 | 0.00% |
| | - | 930,084 | 930,084 | |

No other financial assets or financial liabilities are expected to be exposed to interest rate risk. There are no variable interest borrowings in the Group. The Group is exposed to variable interest cash and cash deposits held; however, fluctuations due to interest rates are considered immaterial.

**(c) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of known and existing customers and reputable organisations.

***(i) Cash Deposits***

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

***(ii) Trade Receivables***

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The ageing analysis of trade and other receivables is provided in Note 9.

As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit terms.

***(iii) Other Receivables***

Other receivables relate to research and development tax concessions receivable from the Australian Taxation Office and do not pose a material credit risk.

**(d) Liquidity Risk**

The Group's approach to managing liquidity risk is to ensure, as far as possible, that, at all times, it has sufficient liquidity to meet its liabilities. The Group has cash reserves and expects to settle all financial liabilities within six months of year end.

**(e) Fair Value**

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

**NOTE 4: REVENUE AND OTHER INCOME**

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Revenue from continuing operations** | | |
| Device and consumables sales | 927,232 | 981,378 |
| Device rental income | 663,705 | 573,558 |
| Consulting income | 1,842,411 | 1,911,091 |
| | 3,433,348 | 3,466,027 |
| | | |
| Other income | | |
| Grant income | 347,051 | 258,370 |
| Interest income | 112,182 | 148,588 |
| Foreign exchange gain | 501,690 | 24,897 |
| | 960,923 | 431,855 |
| | 4,394,271 | 3,897,882 |

## NOTE 5: LOSS FROM CONTINUING OPERATIONS

| | 2018 $ | 2017 $ |
|---|---|---|
| Losses before income tax has been determined after: | | |
| Cost of sales | 873,625 | 1,068,139 |
| Write-off of goodwill | 112,110 | - |
| Depreciation | 117,342 | 91,916 |
| Amortisation of patents and intangibles | 620,939 | 82,761 |
| Employee benefits expense | | |
| - Share based payments | 447,431 | 371,121 |
| - Other employee benefits | 4,050,885 | 3,931,522 |
| | 4,498,316 | 4,302,643 |
| Operating lease rental | 356,250 | 283,078 |
| Research and development expense | 2,052,485 | 1,845,839 |

## NOTE 6: INCOME TAX

| | 2018 $ | 2017 $ |
|---|---|---|
| **(a) Components of Tax Benefit** | | |
| Current tax | (913,671) | (841,199) |
| **(b) Prima Facie Tax Payable** | | |
| The prima facie tax refundable on loss before income tax is reconciled to the income tax benefit as follows: | | |
| Prima facie income tax refundable on loss before income tax at 27.5% (2017: 30%) | (1,276,205) | (1,415,234) |
| Add tax effect of: | | |
| - Accounting research and development expenditure | 545,686 | 553,752 |
| - Other non-allowable items | 1,215 | 9,252 |
| - Write-off of goodwill | 30,830 | - |
| - Share based payments expense | 123,043 | 111,336 |
| - Tax losses not recognised | 935,847 | 720,753 |
| - Unrealised foreign exchange loss | - | 152,728 |
| - Deferred tax assets not recognised | - | 73,713 |
| | 1,636,621 | 1,621,534 |
| Less tax effect of: | | |
| - Amortisation of capital raising costs | 115,905 | 127,044 |
| - Research and development tax offset | 913,671 | 841,199 |
| - Unrealised foreign exchange gain | 138,136 | - |
| - Effect of foreign tax rates | 101,090 | 79,256 |
| - Deferred tax assets not recognised | 5,285 | - |
| | 1,274,087 | 1,047,499 |
| | (913,671) | (841,199) |
| Income tax benefit attributable to loss | | |
| **(c) Deferred Tax Assets not brought to Account** | 175,325 | 183,283 |
| Temporary differences | 6,412,609 | 5,534,457 |
| Operating tax losses | 6,587,934 | 5,717,740 |

## NOTE 7: DIVIDENDS

There were no dividends paid during the period.

## NOTE 8: CASH AND CASH EQUIVALENTS

| | 2018 $ | 2017 $ |
|---|---|---|
| Cash at bank and on hand | 1,891,314 | 2,534,495 |
| Deposits at call | 2,075,543 | 6,075,107 |
| | 3,966,857 | 8,609,602 |

## NOTE 9: RECEIVABLES

| | | |
|---|---|---|
| CURRENT | | |
| Trade receivables | 1,245,737 | 1,571,003 |
| Provision for doubtful debts | (80,978) | (80,461) |
| | 1,164,759 | 1,490,542 |
| | | |
| Accrued income | 139,845 | 52,022 |
| R&D tax offset refundable | 884,475 | 841,444 |
| | 1,024,320 | 893,466 |
| | | |
| Amounts receivable from: | | |
| - Superspine Forrest Hill Unit Trust | - | 26,607 |
| | 2,189,079 | 2,410,615 |

Trade receivables ageing analysis at 30 June is:

| | Gross 2018 $ | Impairment 2018 $ | Gross 2017 $ | Impairment 2017 $ |
|---|---|---|---|---|
| Not past due | 560,017 | - | 1,091,650 | - |
| Past due 31-60 days | 458,572 | - | 133,331 | - |
| Past due 61-90 days | 40,078 | - | 204,391 | - |
| Past due more than 90 days | 187,070 | (80,978) | 141,631 | (80,461) |
| | 1,245,737 | (80,978) | 1,571,003 | (80,461) |

Trade receivables are non-interest bearing with 30-day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Trade receivables not impaired are expected to be received.

## NOTE 10: INVENTORIES

| | 2018 $ | 2017 $ |
|---|---|---|
| CURRENT | | |
| *At cost* | | |
| Finished goods | 324,934 | 317,157 |

## NOTE 11: OTHER ASSETS

| | | |
|---|---|---|
| Prepayments | 235,995 | 146,125 |

## NOTE 12: INTANGIBLE ASSETS

| | | |
|---|---|---|
| Patents at cost | 934,156 | 745,402 |
| Less accumulated amortisation | (147,581) | (105,462) |
| Intangibles at cost | 3,732,206 | 1,910,856 |
| Less accumulated amortisation | (634,528) | (55,707) |
| Goodwill at cost | - | 112,110 |
| | 3,884,253 | 2,607,199 |

### (a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year:

| | Goodwill | | Patents | | Intangibles | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ | $ | $ |
| Opening balance | 112,110 | 112,110 | 639,940 | 525,701 | 1,855,149 | 422,060 |
| Additions | - | - | 188,753 | 148,318 | 1,821,350 | 1,481,771 |
| Amortisation expense/write-off | (112,110) | - | (42,118) | (34,079) | (578,821) | (48,682) |
| Closing balance | - | 112,110 | 786,575 | 639,940 | 3,097,678 | 1,855,149 |

Additions to intangibles during the year related to product that had progressed from the research phase to where it has been determined that the product will be developed for progressive release to the market (refer Note 1 (i)). During the year workplace compliance services ceased to be provided and as a result goodwill was written off.

## NOTE 13: PLANT AND EQUIPMENT

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Plant and Equipment** | | |
| Testing equipment at cost | 128,635 | 126,485 |
| Accumulated depreciation | (108,314) | (84,997) |
| | 20,321 | 41,488 |
| Leased devices at cost | 267,743 | 257,144 |
| Accumulated depreciation | (158,657) | (106,553) |
| | 109,086 | 150,591 |
| Office equipment at cost | 252,268 | 231,166 |
| Accumulated depreciation | (176,043) | (147,862) |
| | 76,225 | 83,304 |
| Furniture, fixtures and fittings at cost | 63,691 | 63,691 |
| Accumulated depreciation | (11,097) | (5,215) |
| | 52,594 | 58,476 |
| Tooling at cost | 94,258 | 67,530 |
| Accumulated depreciation | (28,153) | (20,295) |
| | 66,105 | 47,235 |
| Total plant and equipment | 324,331 | 381,094 |

### (a) Reconciliations

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| ***Testing equipment*** | | |
| Opening carrying amount | 41,488 | 39,042 |
| Additions | 2,150 | 18,500 |
| Depreciation expense | (23,317) | (16,054) |
| **Closing carrying amount** | 20,321 | 41,488 |
| ***Leased devices*** | | |
| Opening carrying amount | 150,591 | 168,672 |
| Transfers from inventory | 10,599 | 29,276 |
| Depreciation expense | (52,104) | (47,357) |
| **Closing carrying amount** | 109,086 | 150,591 |
| ***Office equipment*** | | |
| Opening carrying amount | 83,304 | 64,449 |
| Additions | 21,102 | 40,264 |
| Depreciation expense | (28,181) | (21,409) |
| **Closing carrying amount** | 76,225 | 83,304 |
| ***Furniture, fixtures and fittings*** | | |
| Opening carrying amount | 58,476 | 6,920 |
| Additions | - | 53,147 |
| Depreciation expense | (5,882) | (1,591) |
| **Closing carrying amount** | 52,594 | 58,476 |
| ***Tooling*** | | |
| Opening carrying amount | 47,235 | 31,159 |
| Additions | 26,728 | 21,581 |
| Depreciation expense | (7,858) | (5,505) |
| **Closing carrying amount** | 66,105 | 47,235 |
| ***Total plant and equipment*** | | |
| Opening carrying amount | 381,094 | 310,242 |
| Additions | 49,980 | 133,492 |
| Transfers from inventory | 10,599 | 29,276 |
| Depreciation expense | (117,342) | (91,916) |
| **Closing carrying amount** | 324,331 | 381,094 |

## NOTE 14: PAYABLES

| | | |
|---|---|---|
| CURRENT | | |
| *Unsecured liabilities* | | |
| Trade payables | 228,901 | 304,012 |
| Unearned income | 579,434 | 229,571 |
| Sundry creditors and accruals | 276,309 | 395,501 |
| Loan from related parties | - | 1,000 |
| | 1,084,644 | 930,084 |

## NOTE 15: PROVISIONS

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| CURRENT | | |
| Employee benefits | 381,782 | 385,696 |
| NON-CURRENT | | |
| Employee benefits | 41,858 | 30,340 |
| (a) Aggregate employee benefits liability | 423,640 | 416,036 |
| (b) Number of employees at year end | 34 | 41 |

## NOTE 16: SHARE CAPITAL

The Group's share capital is as follows:

| Ordinary Shares | Parent Equity 2018 | | Parent Equity 2017 | |
|---|---|---|---|---|
| | No of Shares | $ | No of Shares | $ |
| Beginning of the financial year | 167,305,859 | 38,440,518 | 149,914,616 | 30,709,796 |
| Issued during the financial year | | | | |
| - Employee share scheme (i) | 612,363 | - | - | - |
| - Other shares issued (ii) | - | 14,706 | - | 40,161 |
| - Shares issued (iii) | - | - | 17,391,243 | 7,999,972 |
| - Cost of raising capital | - | - | - | (309,411) |
| End of the financial year | 167,918,222 | 38,455,224 | 167,305,859 | 38,440,518 |

### (i) Shares Issued under the Employee Share Ownership Plan:

During the year performance rights previously granted to employees under the Employee Share Ownership Plan (ESOP) vested into shares. The shares were issued for $Nil consideration.

### (ii) Other Shares Issued:

During the year a number of employees, previously issued shares under the ESOP repaid their non-recourse loans and took possession of their share entitlement.

### (iii) Shares Issued in a Capital Raising:

There was no capital raising during the year ended 30 June 2018. In the prior year, the Group:

- Issued 10,869,565 fully paid ordinary shares to institutional and sophisticated investors at $0.46 per share raising $5,000,000 before costs;
- Issued 4,347,828 fully paid ordinary shares to major shareholder, Starfish Technology Fund II Trust A and Starfish Technology Fund II Trust B, at $0.46 per share raising $2,000,001; and
- Issued 2,173,850 fully paid ordinary shares under a share purchase plan to shareholders at $0.46 per share raising $999,971.

**Rights of each Type of Share**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Capital Management**

When managing capital, management's objective is to ensure the Group continues as a going-concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2018, management paid dividends of $Nil (2017: $Nil).

**Employee Share Ownership Plan (ESOP)**

The Group continued to offer employee participation in short-term and long-term incentive schemes as part of the remuneration packages for the employees of the Group. Refer to Note 21, Share Based Payments, for detailed disclosures.

**NOTE 17: RESERVES AND ACCUMULATED LOSSES**

| | Notes | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| Share-based payment reserve | 17(a) | 1,000,854 | 584,162 |
| Foreign currency translation reserve | 17(b) | (269,447) | 174,124 |
| | | 731,407 | 758,286 |
| Accumulated losses | 17(c) | (29,769,466) | (26,073,132) |

(i) Nature and Purpose of Reserve

This reserve is used to record the fair value of options and shares issued to employees as part of their remuneration. The balance is transferred to share capital when options are granted and the balance is transferred to retained earnings when options lapse.

***(ii) Movements in Reserve***

| | 2018 | 2017 |
|---|---|---|
| **(a) Share-based Payment Reserve** | | |
| Balance at beginning of year | 584,162 | 228,367 |
| Movement taken to comprehensive income during the year: | | |
| - Employee share ownership plan | 447,431 | 371,121 |
| - Equity instruments lapsed | (30,739) | (15,326) |
| Balance at end of year | 1,000,854 | 584,162 |
| **(b) Foreign Currency Translation Reserve** | | |
| Balance at beginning of year | 174,124 | (134,871) |
| Movement taken to comprehensive income during the year | (443,571) | 308,995 |
| Balance at end of year | (269,447) | 174,124 |
| **(c) Accumulated Losses** | | |
| Balance at beginning of year | (26,073,132) | (22,212,210) |
| Net loss attributable to members of dorsaVi Ltd | (3,727,073) | (3,876,248) |
| Reversal of share-based payment reserve | 30,739 | 15,326 |
| Balance at end of year | (29,769,466) | (26,073,132) |

**(a) Reconciliation of Cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

## NOTE 18: CASH FLOW INFORMATION

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | 1,891,314 | 2,534,495 |
| Deposits at call | 2,075,543 | 6,075,107 |
| | 3,966,857 | 8,609,602 |

**(b) Reconciliation of Cash Flow used in Operations with Loss after Income Tax**

| | 2018 | 2017 |
|---|---|---|
| Loss from ordinary activities after income tax | (3,727,073) | (3,876,248) |
| **Adjustments and Non-cash Items** | | |
| Amortisation | 620,939 | 82,761 |
| Depreciation | 117,342 | 91,916 |
| Write-off of goodwill | 112,110 | - |
| Share based payments | 447,431 | 371,121 |
| Movement in debtor provision | 517 | 61,830 |
| Foreign currency translation through reserve | (443,571) | 308,995 |
| **Changes in Assets and Liabilities** | | |
| (Increase) / decrease in receivables | 325,266 | (563,110) |
| (Increase) / decrease in other assets | (151,086) | 64,533 |
| Increase in inventories | (18,376) | (99,655) |
| Increase in payables | 154,560 | 216,082 |
| (Increase) in research and development tax offset receivable | (43,031) | (162,979) |
| Increase in provisions | 7,604 | 118,030 |
| | 1,129,705 | 489,524 |
| Cash flows used in operating activities | (2,597,368) | (3,386,724) |

## NOTE 19: COMMITMENTS AND CONTINGENCIES

**(a) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

| | 2018 | 2017 |
|---|---|---|
| Payable | | |
| - Not later than one year | 28,862 | 138,521 |
| - Later than one year and not later than five years | - | 1,575 |
| | 28,862 | 140,096 |

**Description of Leasing Arrangement:**
- Operating lease - premises in Australia - Month by month Agreement
- Operating lease - storage in Australia - Expires 18 November 2018
- Operating lease - premises in Europe - Expires 30 September 2018

**(b) Capital Expenditure Commitments**

| | 2018 | 2017 |
|---|---|---|
| Acquisition of intangible asset | - | 170,000 |
| Total capital expenditure commitments | - | 170,000 |

**(c) Contingent Asset and Liabilities**

There are no contingent assets or contingent liabilities at balance date.

**NOTE 20: LOSS PER SHARE**

| | 2018 $ | 2017 $ |
|---|---|---|
| Reconciliation of loss used in calculating loss per share: | | |
| Loss from continuing operations | (3,727,073) | (3,876,248) |
| Loss used in calculating basic loss per share | (3,727,073) | (3,876,248) |
| Loss used in calculating diluted loss per share | (3,727,073) | (3,876,248) |

| | 2018 No of Shares | 2017 No of Shares |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 167,773,817 | 158,497,079 |
| Effect of dilutive securities: | - | - |
| Equity instruments | - | - |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 167,773,817 | 158,497,079 |

**NOTE 21: SHARE BASED PAYMENTS**

**(a) Employee Shares**

The Board established an Employee Share Ownership Plan (ESOP). This plan was established by the Group to facilitate the acquisition of Shares, Options and Performance Rights by those employed, or otherwise engaged by, or holding a position of office in, dorsaVi.

They key objective of the plan is to provide an incentive for employees to align their interests with those of the shareholders. Other objectives of the ESOP include:

- To attract, motivate and retain quality employees and Directors of dorsaVi;
- To create a commitment and united purpose between the employees and Directors and dorsaVi; and
- To add wealth for all shareholders of dorsaVi through the motivation of dorsaVi's employees and Directors.

This plan allows for dorsaVi to offer employees non-recourse and interest-free loans to acquire fully paid shares. On 20 September 2013, the Group's shareholders approved the giving of such financial assistance.

Only a person who is an Eligible Person may be invited and authorised by the Board to participate in this plan. An Eligible person means:

- An employee of dorsaVi or a subsidiary of dorsaVi; or
- A Director of dorsaVi or a subsidiary of dorsaVi who holds a salaried employment or office in dorsaVi or a subsidiary of dorsaVi; or
- A contractor engaged by dorsaVi or a subsidiary of dorsaVi and whom the Group has determined is an Eligible Person to participate in this plan.

There is no maximum limit on the number of Securities that may be acquired by Eligible Persons under the ESOP. However, the Board intends to restrict further issues of Securities to no more than 5% of the Group's issued share capital. This limit will be maintained unless shareholder approval is subsequently sought to increase this level.

During the year ended 30 June 2018, 612,363 ESOP shares were issued to employees at $Nil consideration on the achievement of key performance targets. No ESOP shares were issued to employees during the year ended 30 June 2017.

The ESOP Shares are subject to restriction agreements imposing loan repayment obligations, and, that the holders of Shares are not able to trade them within 12 months of issuance. After 12 months, 1/3rd of the issued shares can be traded. Contingent upon continued employment with the Group and meeting loan repayment obligations, the remaining shares become available for trading at a monthly rate of 1/36th of the shares issued over the subsequent 24 months.

### (b) Employee Options

During the year ended 30 June 2018 no options to ordinary shares were granted to employees (2017: 1,300,000 options granted). During the year a total of 78,333 options were cancelled (2017: 1,977,778 options cancelled).

### (c) Employee Performance Rights

During the period 1 July 2016 to 30 June 2017 and under the Group's Employee Share Ownership Plan 2013, dorsaVi agreed to grant 3,749,000 performance rights that may vest into ordinary shares of the Group. Performance rights are subject to performance vesting conditions in accordance with each agreement. The performance rights do not vest into shares unless the performance conditions are met. During the year ended 30 June 2018 612,363 performance rights vested into shares (2017: Nil). The performance rights vested into shares at $Nil. During the year ended 30 June 2018 724,971 performance rights lapsed (2017: Nil). At 30 June 2018 2,411,666 performance rights remain outstanding.

Details of shares, options and performance rights granted are as follows:

| 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Grant date** | **Expiry date** | **Exercise price** | **Balance at 1/7/2017** | **Granted during the year** | **Vested during the year** | **Expired during the year** | **Balance at 30/6/2018** | **Exercisable at the end of the year** |
| 3-Jul-14 | 3-Jul-19 | $0.46 | 250,000 | - | - | - | 250,000 | 250,000 |
| 2-Sep-14 | 1-Sep-19 | $0.40 | 100,000 | - | - | - | 100,000 | 100,000 |
| 5-Nov-14 | 5-Nov-19 | $0.40 | 20,000 | - | - | - | 20,000 | 20,000 |
| 25-Feb-15 | 25-Feb-20 | $0.36 | 80,000 | - | - | - | 80,000 | 80,000 |
| 17-Aug-15 | 17-Aug-20 | $0.26 | 500,000 | - | - | - | 500,000 | 500,000 |
| 24-Mar-16 | 24-Mar-21 | $0.40 | 200,000 | - | - | - | 200,000 | 100,000 |
| 29-Nov-16 | 1-Oct-17 | - | 150,000 | - | 75,000 | 75,000 | - | - |
| 29-Nov-16 | 1-Oct-18 | - | 150,000 | - | - | - | 150,000 | - |
| 29-Nov-16 | 1-Oct-19 | - | 150,000 | - | - | - | 150,000 | - |
| 29-Nov-16 | 29-Nov-19 | - | 450,000 | - | - | - | 450,000 | - |
| 15-May-17 | 15-May-22 | $0.33 | 550,000 | - | - | - | 550,000 | 550,000 |
| 15-May-17 | 1-Oct-22 | $0.33 | 133,333 | - | - | 78,333 | 55,000 | 55,000 |
| 15-May-17 | 1-Oct-23 | $0.33 | 133,333 | - | - | - | 133,333 | - |
| 15-May-17 | 1-Oct-24 | $0.33 | 133,334 | - | - | - | 133,334 | - |
| 15-May-17 | 1-Jul-24 | $0.33 | 350,000 | - | - | - | 350,000 | - |
| 15-May-17 | 1-Oct-17 | - | 79,000 | - | 54,050 | 24,950 | - | - |
| 15-May-17 | 1-Oct-18 | - | 39,000 | - | - | - | 39,000 | - |
| 15-May-17 | 1-Oct-19 | - | 39,000 | - | - | - | 39,000 | - |
| 15-May-17 | 1-Jul-19 | - | 117,000 | - | - | - | 117,000 | - |
| 5-Jun-17 | 1-Jul-17 | - | 250,000 | - | 250,000 | - | - | - |
| 5-Jun-17 | 1-Oct-17 | - | 350,000 | - | 202,063 | 147,937 | - | - |
| 5-Jun-17 | 1-Oct-18 | - | 350,000 | - | - | 75,000 | 275,000 | - |
| 5-Jun-17 | 1-Oct-19 | - | 350,000 | - | - | 75,000 | 275,000 | - |
| 5-Jun-17 | 1-Jul-19 | - | 775,000 | - | - | 275,000 | 500,000 | - |
| 5-Jun-17 | 1-Jan-18 | - | 83,334 | - | 31,250 | 52,084 | - | - |
| 5-Jun-17 | 1-Jan-19 | - | 83,334 | - | - | - | 83,334 | - |
| 5-Jun-17 | 1-Jan-20 | - | 333,332 | - | - | - | 333,332 | - |
| **TOTAL** | | | **6,199,000** | **-** | **612,363** | **803,304** | **4,783,333** | **1,655,000** |

| **2017** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Grant Date** | **Expiry Date** | **Exercise Price** | **Balance at 1/7/2016** | **Granted during the Year** | **Exercised during the Year** | **Expired during the Year** | **Balance at 30/6/2017** | **Exercisable at the end of the Year** |
| 3-Jul-14 | 3-Jul-19 | $0.46 | 250,000 | - | - | - | 250,000 | 250,000 |
| 2-Sep-14 | 1-Sep-19 | $0.40 | 100,000 | - | - | - | 100,000 | 91,666 |
| 21-Oct-14 | 14-Jul-16 | $0.40 | 900,000 | - | - | 900,000 | - | - |
| 5-Nov-14 | 5-Nov-19 | $0.40 | 20,000 | - | - | - | 20,000 | 20,000 |
| 25-Feb-15 | 25-Feb-20 | $0.36 | 80,000 | - | - | - | 80,000 | 80,000 |
| 17-Aug-15 | 17-Aug-20 | $0.26 | 500,000 | - | - | - | 500,000 | 500,000 |
| 30-Sep-15 | 30-Sep-20 | $0.28 | 250,000 | - | - | 250,000 | - | - |
| 30-Sep-15 | 30-Sep-21 | $0.28 | 250,000 | - | - | 250,000 | - | - |
| 30-Sep-15 | 30-Sep-22 | $0.28 | 250,000 | - | - | 250,000 | - | - |
| 11-Dec-15 | 11-Dec-16 | $0.38 | 277,778 | - | - | 277,778 | - | - |
| 24-Mar-16 | 24-Mar-21 | $0.40 | 200,000 | - | - | - | 200,000 | 100,000 |
| 8-Jun-16 | 8-Jun-21 | $0.34 | 50,000 | - | - | 50,000 | - | - |
| 29-Nov-16 | 1-Oct-17 | - | - | 150,000 | - | - | 150,000 | - |
| 29-Nov-16 | 1-Oct-18 | - | - | 150,000 | - | - | 150,000 | - |
| 29-Nov-16 | 1-Oct-19 | - | - | 150,000 | - | - | 150,000 | - |
| 29-Nov-16 | 29-Nov-19 | - | - | 450,000 | - | - | 450,000 | - |
| 15-May-17 | 15-May-22 | $0.33 | - | 550,000 | - | - | 550,000 | 550,000 |
| 15-May-17 | 1-Oct-22 | $0.33 | - | 133,333 | - | - | 133,333 | - |
| 15-May-17 | 1-Oct-23 | $0.33 | - | 133,333 | - | - | 133,333 | - |
| 15-May-17 | 1-Oct-24 | $0.33 | - | 133,334 | - | - | 133,334 | - |
| 15-May-17 | 1-Jul-24 | $0.33 | - | 350,000 | - | - | 350,000 | - |
| 15-May-17 | 1-Oct-22 | - | - | 79,000 | - | - | 79,000 | - |
| 15-May-17 | 1-Oct-23 | - | - | 39,000 | - | - | 39,000 | - |
| 15-May-17 | 1-Oct-24 | - | - | 39,000 | - | - | 39,000 | - |
| 15-May-17 | 1-Jul-24 | - | - | 117,000 | - | - | 117,000 | - |
| 5-Jun-17 | 1-Jul-17 | - | - | 250,000 | - | - | 250,000 | - |
| 5-Jun-17 | 1-Oct-17 | - | - | 350,000 | - | - | 350,000 | - |
| 5-Jun-17 | 1-Oct-18 | - | - | 350,000 | - | - | 350,000 | - |
| 5-Jun-17 | 1-Oct-19 | - | - | 350,000 | - | - | 350,000 | - |
| 5-Jun-17 | 1-Jul-19 | - | - | 775,000 | - | - | 775,000 | - |
| 5-Jun-17 | 1-Jan-18 | - | - | 83,334 | - | - | 83,334 | - |
| 5-Jun-17 | 1-Jan-19 | - | - | 83,334 | - | - | 83,334 | - |
| 5-Jun-17 | 1-Jan-20 | - | - | 333,332 | - | - | 333,332 | - |
| **TOTAL** | | | **3,127,778** | **5,049,000** | **-** | **1,977,778** | **6,199,000** | **1,591,666** |

Other additional information associated with these share performance rights and option grants include:

- The weighted average remaining contractual life for equity entitlements outstanding at the end of the period was 2 years.
- The weighted average value of the equity entitlements at grant date was $0.17. This excluded any consideration of the impact of the exercise (or vesting) conditions.
- The fair value was determined using the binomial tree method or the Black-Scholes option-pricing models.
- The share price at grant date ranged from: $0.26 to $0.46
- Expected price volatility of the Group's shares: 80%
- Dividends: $Nil
- Risk free interest rate: 1.81% to 2.50%

### (c) Expenses Recognised from Share-Based Payment Transactions

The expense recognised in relation to the share-based payment transactions was recorded within employee benefits expense in the statement of comprehensive income were as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| Equity instruments issued under employee share plan | 54,943 | 339,866 |
| Shares issued under employee share plan | 392,488 | 31,255 |
| Total expenses recognised from share-based payment transactions | 447,431 | 371,121 |

## NOTE 22: DIRECTORS' AND EXECUTIVE COMPENSATION

***Compensation by Category***

| | | |
|---|---|---|
| Short-term employment benefits | 1,951,642 | 1,771,315 |
| Post-employment benefits | 112,309 | 119,838 |
| Share-based payments | 369,702 | 290,885 |
| | 2,433,653 | 2,182,038 |

## NOTE 23: SUBSIDIARIES AND RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of dorsaVi Ltd and its controlled entities listed below:

| | Country of incorporation | Ownership interest held by DVL | |
|---|---|---|---|
| | | 2018 % | 2017 % |
| dorsaVi Europe Ltd | UK | 100 | 100 |
| dorsaVi USA, Inc. | USA | 100 | 100 |
| Australian Workplace Compliance Pty Ltd | AUS | 100 | 100 |

- dorsaVi Europe Ltd was incorporated on 3 February 2014.
- dorsaVi USA, Inc. was incorporated on 19 May 2014.
- Australian Workplace Compliance Pty Ltd was purchased on 3 July 2014.

### (a) Transactions with Entities with Associates:

dorsaVi Ltd sold its 25% ownership of Superspine Forrest Hill Unit Trust on 30 June 2018 and it ceased to be considered an associate of dorsaVi Ltd. The transaction was settled in full during July 2018. At 30 June 2018 there was a loan receivable from Superspine Forrest Hill Unit Trust of $Nil (2017: $26,607). There was also a loan payable at balance date for $Nil (2017: $1,000).

### (b) Transactions with Directors, Key Management Personnel and Other Related Parties:

During the year ended 30 June 2017, dorsaVi Ltd paid $54,120 (2017: $54,120) to Starfish Technology Fund II, LP on behalf of Michael Panaccio for director's fees.

Starfish Ventures Pty Ltd is a related party as it is connected with a director of dorsaVi Ltd. During the year ended 30 June 2018, Starfish Ventures Pty Ltd charged rent to dorsaVi Ltd. Total value of these rental charges was $109,346 (2017: $121,970). The rent was charged to dorsaVi on normal terms and conditions. The balance outstanding at balance date was $15,047 (2017: $14,916) included in Trade Payables at Note 14.

During the nine-month period ended 11 April 2018, dorsaVi Ltd paid $70,864 (2017: $104,038) to Safety Assess Pty Ltd a related Company of Dane Heaysman. These amounts are on normal commercial terms and were paid to these parties in their capacity as ViSafe Assessors on various ViSafe projects throughout the financial year. Dane Heaysman and the company are related to dorsaVi through Dane's relationship to his father, Mark Heaysman. Mark Heaysman ceased to be a KMP on 11 April 2018.

## NOTE 24: AUDITOR'S REMUNERATION

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Amounts Paid and Payable to Pitcher Partners Melbourne for:** | | |
| ***(i) Audit and Other Assurance Services*** | | |
| An audit or review of the financial report of the entity and any other entity in the consolidated entity | 94,000 | 79,400 |
| Total remuneration for audit and other assurance services | 94,000 | 79,400 |
| ***(ii) Other Non-audit Services*** | | |
| Taxation and other Compliance Services | 23,450 | 26,831 |
| Total remuneration for non-audit services | 23,450 | 26,831 |
| Total remuneration of Pitcher Partners Melbourne | 117,450 | 106,231 |

## NOTE 25: PARENT ENTITY INFORMATION

### (a) Summarised Statement of Financial Position

| | | |
|---|---|---|
| **Assets** | | |
| Current assets | 17,886,039 | 20,108,383 |
| Non-current assets | 4,208,584 | 2,988,293 |
| **Total assets** | 22,094,623 | 23,096,676 |
| **Liabilities** | | |
| Current liabilities | 1,888,928 | 1,859,915 |
| Non-current liabilities | 41,858 | 30,340 |
| **Total liabilities** | 1,930,786 | 1,890,255 |
| **Net assets** | 20,163,837 | 21,206,421 |
| **Equity** | | |
| Share capital | 38,455,224 | 38,440,518 |
| Share-based payment reserve | 1,000,854 | 584,162 |
| Accumulated losses | (19,292,241) | (17,818,259) |
| **Total equity** | 20,163,837 | 21,206,421 |

### (b) Summarised Statement of Comprehensive Income

| | | |
|---|---|---|
| Loss for the year | (1,504,721) | (1,964,808) |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | (1,504,721) | (1,964,808) |

## NOTE 26: SEGMENT INFORMATION

### (a) Description of Segments

The Group's chief operating decision maker has identified the following reportable segments:

- Segment 1: Australia;
- Segment 2: Europe;
- Segment 3: United States of America.

Management differentiates operating segments based on geographical areas and regulatory environments. The type of products and services from which each reportable segment derives its revenue is considered the same.

The operating segments have been identified based on internal reports reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance.

### (b) Segment Information

The Group's chief operating decision maker's use segment revenue and segment result to assess the financial performance of each operating segment.

Amounts for segment information are measured in the same way in the financial statements. They include items directly attributable to the segment and those that can reasonably be allocated to the segment based on the operations of the segment. There has been no inter-segment revenue during the year.

Segment information is reconciled to financial statements and underlying profit disclosure notes as follows:

| **2018** | **Australia**<br>**$** | **Europe**<br>**$** | **USA**<br>**$** | **Total**<br>**$** |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| Total segment revenue | 2,415,744 | 725,568 | 1,252,959 | 4,394,271 |
| **Segment revenue from external source** | 2,415,744 | 725,568 | 1,252,959 | 4,394,271 |
| **Segment result** | | | | |
| Total segment result | (1,504,721) | (833,018) | (1,389,334) | (3,727,073) |
| **Segment result from external source** | (1,504,721) | (833,018) | (1,389,334) | (3,727,073) |
| **Items included within the segment result:** | | | | |
| Grant income | 347,051 | - | - | 347,051 |
| Interest income | 112,172 | 10 | - | 112,182 |
| Foreign exchange gain | 501,690 | - | - | 501,690 |
| Depreciation and amortisation expense | (738,281) | - | - | (738,281) |
| Write-off of goodwill | (112,110) | - | - | (112,110) |
| Income tax benefit | 892,831 | 20,840 | - | 913,671 |
| **Total Segment Assets** | 22,336,064 | 689,731 | 912,263 | 23,938,058 |
| Elimination | | | | (13,012,609) |
| Consolidated segment assets | | | | 10,925,449 |
| Total assets include: | | | | |
| Additions to non-current assets | 2,060,083 | - | - | 2,060,083 |
| **Total Segment Liabilities** | (2,010,059) | (4,035,731) | (8,475,103) | (14,520,893) |
| Elimination | | | | 13,012,609 |
| Consolidated segment liabilities | | | | (1,508,284) |

| **2017** | **Australia $** | **Europe $** | **USA $** | **Total $** |
|---|---|---|---|---|
| **Segment Revenue** | | | | |
| Total Segment Revenue | 2,037,596 | 675,438 | 1,184,848 | 3,897,882 |
| **Segment Revenue from External Source** | 2,037,596 | 675,438 | 1,184,848 | 3,897,882 |
| **Segment Result** | | | | |
| Total Segment Result | (1,964,808) | (468,145) | (1,443,295) | (3,876,248) |
| **Segment Result from External Source** | (1,964,808) | (468,145) | (1,443,295) | (3,876,248) |
| **Items included within the Segment Result:** | | | | |
| Grant Income | 258,370 | - | - | 258,370 |
| Interest Income | 148,564 | 24 | - | 148,588 |
| Depreciation and Amortisation Expense | (174,677) | - | - | (174,677) |
| Income Tax Benefit | 802,940 | 38,259 | - | 841,199 |
| **Total Segment Assets** | 23,338,117 | 1,031,158 | 1,044,604 | 25,413,879 |
| Elimination | | | | (10,942,087) |
| Consolidated Segment Assets | | | | 14,471,792 |
| Total Assets include: | | | | |
| Additions to Non-current Assets | 1,763,581 | - | - | 1,763,581 |
| **Total Segment Liabilities** | (1,969,528) | (3,407,529) | (6,911,150) | (12,288,207) |
| Elimination | | | | 10,942,087 |
| Consolidated Segment Liabilities | | | | (1,346,120) |

**(c) Major Customers**

In 2018 and 2017 no customer contributed greater than 10% of the Group's total revenue.

**NOTE 27: SUBSEQUENT EVENTS**

With the exception of the following, no matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- On 3 July 2018, dorsaVi Ltd announced that it had signed an agreement with CitiPower and Powercor for the provision of dorsaVi's wearable sensor technology to profile movement risk and improve manual handling safety.
- On 18 July 2018, dorsaVi announced that it had signed an evaluation agreement with Stryker Leibinger GmbH & Co to evaluate ViMove2.

# Directors' Declaration

The directors declare that the financial statements and notes set out on pages 28 to 58 in accordance with the *Corporations Act 2001*:

a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
c) Give a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the year ended on that date.

In the directors' opinion, there are reasonable grounds to believe that dorsaVi Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2018.

This declaration is made in accordance with a resolution of the directors.

Greg Tweedly
Director and Chairman

Melbourne
Date: 19 September 2018

Andrew Ronchi
Director and CEO

Melbourne
Date: 19 September 2018

**dorsaVi Ltd and controlled entities**
**ABN 15 129 742 409**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd

### Report on the Audit of the Financial Report

*Opinion*

We have audited the financial report of dorsaVi Ltd "the Company", which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of dorsaVi Ltd, is in accordance with the *Corporations Act 2001*, including:

(a) 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 then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of a Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a net loss of $3,727,073 during the year ended 30 June 2018 and had total net cash outflows of $4,642,745. As at 30 June 2018, the Group's current cash reserves total $3,966,857. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**dorsaVi Ltd and controlled entities**
**ABN 15 129 742 409**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd**

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Recognition of revenue- $4,394,271<br>Refer to Note 4 'Revenue and other income'</td></tr>
<tr><td>The Group's three largest revenue streams are:<br>• The sale of devices and consumables,<br>• Rental of devices; and,<br>• The provision of consulting services.<br><br>Consulting service revenue stream (FY18: $1,842,411, FY17: $1,911,091) includes contracts that account for revenue based on the percentage of completion method, calculated on management's estimation of work completed to balance date and against set project milestones.<br><br>The accurate recording of consulting service revenue is highly dependent on management's internal project management system, in order to track the completion of milestones and tasks.<br><br>Key elements of the internal project management system includes:<br>• Accurately estimating total effort to complete project at initiation of the contract;<br>• Management's estimation of work completed to date; and<br>• Estimate of the cost to complete, including identification of potential project over-runs.<br><br>We focused on this area as a key audit matter due to the number and type of estimation events over the course of the contract life, in determining revenue recognition for consulting services.</td><td>Our procedures included amongst others:<br>• Obtaining an understanding of the accounting processes and internal controls relating to the cycle;<br>• Evaluating managements' process regarding the recognition of revenue for consulting services, which includes a review of the project management system utilised;<br>• Obtaining an understanding of the milestone and task completion tracking capability, and the internal project delivery function;<br>• Selecting a sample of contracts, and performing the following procedures:<br>  o Obtaining and agreeing the original contract and associated terms;<br>  o Assessing the revenue recognised under the percentage of completion method, including the effort to date, effort remaining and an assessment of any applicable changes to scope or delivery issues;<br>  o Agreeing progress payments made by customers for projects with billing milestones in order to assess the likelihood of the recovery for the works completed; and,<br>  o Evaluating contract performance in the period since balance date to determine whether there have been any material adverse changes and potential project over-runs in the delivery of projects.</td></tr>
</table>

**dorsaVi Ltd and controlled entities**
**ABN 15 129 742 409**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd**

| **Key Audit Matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Capitalisation and carrying value of development costs - $1,821,350**<br>**Refer to Note 12 'Intangible Assets'** | |
| The research and development of new and existing technology is part of the Group's operations. Each project undertaken represents an investment made by the business, for which future economic benefits are expected to be derived.<br><br>The capitalisation of any development costs is highly subject to management judgement and is also subject to various recognition criteria as per AASB 138 *Intangible assets.*<br><br>Key management considerations to be made include the following:<br>• Stage of the development cycle - research vs development;<br>• Ability to accurately record and allocate costs incurred for individual projects, including employee costs; and<br>• Technical and commercial viability of individual projects undertaken<br><br>We focused on capitalised development costs as a key audit matter due to the number and type of judgement and estimation events required and the ongoing operating losses of the Group. | Our procedures included amongst others:<br><br>• Obtaining an understanding of the accounting processes and internal controls relating to the capitalisation of development costs;<br>• Selecting from a sample of transactions from the capitalised development costs and performing the following:<br>  • Obtaining and reviewing management reconciliations for the amounts capitalised;<br>  • Testing the mathematical accuracy of reconciliations prepared for costs that had been capitalised;<br>  • Reviewing the employee costs allocated to the different development projects, and testing a sample of employee rates and captured hours for the internal amounts capitalised and tracing to timesheets;<br>  • Reviewing the external contractor costs allocated to the different development projects, and sampling and testing contractor costs to supporting information to substantiate the expenditure;<br>  • Evaluating management's process surrounding the capitalisation of development costs, and reviewing development projects against the recognition criteria as per AASB 138 *Intangible assets*;<br>  • Challenging management of both the development and operations teams to assess the technical and commercial viability/ commercialisation expectations of the development costs capitalised; and<br>  • Evaluating management's impairment calculations, including:<br>    o Assessing the Group's discounted cash flow forecasts and business plans, including completeness of forecast expenditure and commitments;<br>    o Reviewing and challenging the assumptions used in the cash flow forecasts;<br>    o Assessing the discount rate used in the Group's cash flow forecast, and performing sensitivity analysis on forecast model;<br>    o Assessing the reliability of managements sales and revenue pipeline for FY19 budgeted result; and<br>    o Obtaining post year-end financial information to assess the financial performance of the Group against budget. |

**dorsaVi Ltd and controlled entities**
**ABN 15 129 742 409**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd**

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 to 26 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of dorsaVi Ltd, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

F V RUSSO
Partner

PITCHER PARTNERS
Melbourne

19 September 2018

# SHAREHOLDER INFORMATION

**Corporate Governance**

The Group's Corporate Governance Statement can be obtained at http://dorsavi.com/investor-relations/

**Overview**

The Group's securities are listed for quotation in the form of Ordinary Shares on the Australian Securities Exchange (ASX) and trade under the symbol "DVL". The shareholder information below was applicable as at 31 August 2018.

The Group's share capital was as follows:

| Type of Security | Number of Securities | Number of Holders |
|---|---|---|
| Ordinary Shares | 167,918,222 | 712 |
| Options | 829,166 | 3 |
| Performance Rights | 2,005,416 | 7 |

**Substantial Holders**

| Names of Holders | Number of Shares Held | % of Total Shares |
|---|---|---|
| Starfish Technology Fund II, LP, Starfish Ventures, Michael Panaccio and Christiana Panaccio and Micana Family Trust | 72,767,755 | 43.34% |
| AR BSM Pty Ltd and Andrew Ronchi | 8,406,546 | 5.01% |

**Unmarketable Parcels**

Based on the closing market price on 31 August 2018, there were 201 shareholders holding less than a marketable parcel (i.e. a parcel of securities of less than $500).

**Options and Performance Rights (not listed on ASX)**

There were 829,166 unquoted options on issue to purchase ordinary shares under the Group's Incentive Stock Option Agreement. The Options have been issued in accordance with the terms and conditions of the dorsaVi Ltd 2013 Share Ownership Plan.

There were 2,005,416 unquoted Performance Rights granted, but not vested into ordinary shares, under the Group's Incentive Agreements. The Performance Rights have been granted in accordance with the terms and conditions of the dorsaVi Ltd 2013 Share Ownership Plan.

**Restricted Securities and Escrow Agreements**

There are no securities which are restricted or subject to escrow agreements.

**Voting Rights**

At a general meeting, each Shareholder present (in person or by proxy, attorney or representative) has one vote on a show of hands and one vote for each share held when voting is done via a poll.

Proxy forms will be included in each notice of meeting sent to Shareholders. Holders of issued but unexercised options are not entitled to vote.

**Required Statements**

a) There is no current on-market buy-back of the Group's securities.
b) The Group's securities are not quoted on any exchange other than the ASX.

**Distribution Schedule**

| Number of Shares | Number of Holders |
|---|---|
| 1 – 1,000 | 31 |
| 1,001 - 5,000 | 166 |
| 5,001 - 10,000 | 98 |
| 10,001 – 100,000 | 250 |
| 100,001 and above | 167 |
| **Total** | 712 |

**dorsaVi's Top 20 Shareholders**

Set out below is a schedule of the 20 largest holders of each class of securities quoted.

| Rank | Name of Registered Holder | No. of Shares Held | % Of Total Shares |
|---|---|---|---|
| 1 | STARFISH TECHNOLOGY FUND II LP | 60,597,345 | 36.09 |
| 2 | AR BSM PTY LTD <AR BSM A/C> | 7,021,814 | 4.18 |
| 3 | STARFISH TECHNOLOGY FUND II NOMINEES A PTY LTD | 5,203,782 | 3.10 |
| 4 | STARFISH TECHNOLOGY FUND II NOMINEES B PTY LTD | 5,203,781 | 3.10 |
| 5 | CITICORP NOMINEES PTY LIMITED | 4,759,619 | 2.83 |
| 6 | DRNEWNHAM SUPER PTY LTD <DRN SUPERANNUATION FUND A/C> | 3,973,637 | 2.37 |
| 7 | UBS NOMINEES PTY LTD | 3,326,746 | 1.98 |
| 8 | MS GABRIELLE BANAY | 3,233,482 | 1.93 |
| 9 | GARSIND PTY LTD <RUTH ROSS SUPER FUND A/C> | 1,984,357 | 1.18 |
| 10 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 1,853,485 | 1.10 |
| 11 | ANDREW RONCHI | 1,384,732 | 0.82 |
| 12 | MORRMAC PTY LTD <MIMIE MACLAREN PENSION A/C> | 1,294,231 | 0.77 |
| 13 | LEVENSON INVESTMENTS PTY LTD <LEVENSON INVESTMENT A/C> | 1,258,147 | 0.75 |
| 14 | DR BSM PTY LTD <DR BSM A/C> | 1,233,353 | 0.73 |
| 15 | DANIEL RONCHI | 1,224,668 | 0.73 |
| 16 | LOUANDI SUPER FUND PTY LTD <LOUANDI SUPER FUND A/C> | 1,205,385 | 0.72 |
| 17 | MR DANIEL RONCHI | 1,137,085 | 0.68 |
| 18 | MRS ROSALIND LAWRENCE <ROSALIND LAWRENCE PSF A/C> | 1,089,923 | 0.65 |
| 19 | MR BRIAN TULLY + MRS MARGARET TULLY <SUPERANNUATION FUND> | 1,072,094 | 0.64 |
| 20 | CATWILLY PTY LTD <HARRIS FAMILY SUPERFUND A/C> | 1,060,000 | 0.63 |
| **Total shares held by top 20 shareholders** | | **109,117,666** | **64.98** |
| **Total shares held by all other shareholders** | | **58,800,556** | **35.02** |

## Corporate Directory

**Board of Directors and Company Secretary**

| | |
|---|---|
| Mr Gregory Tweedly | Chairman |
| Mr Ashraf Attia | Non-Executive Director |
| Dr Michael Panaccio | Non-Executive Director |
| Dr Andrew Ronchi | Chief Executive Officer and Executive Director |
| Ms Caroline Elliott | Non-Executive Director |
| Mr Brendan Case | Company Secretary |

**Executive Team**

| | |
|---|---|
| Dr Andrew Ronchi | Chief Executive Officer |
| Mr Damian Connellan | Chief Financial Officer |
| Mr David Erikson | |
| Ms Meagan Blackburn | |
| Ms Zoe Whyatt | |
| Mr Matthew May | |
| Ms Megan Connell | |

**Registered Office in Australia**
C/- Pitcher Partners, Level 13,
664 Collins Street, Melbourne, VIC 3000
Tel. +61 3 8610 5000

**Principal Administrative Office**
Level 1, 120 Jolimont Rd,
Melbourne East, VIC 3002
Tel. 1800 367 7284

**Auditor**
Pitcher Partners
Level 13, 664 Collins Street,
Melbourne, VIC 3000
Tel: +61 3 8610 5000

**Share Registry**
Computershare Investor Services Pty Limited
GPO BOX 242, Melbourne, VIC 3001
Tel: + 61 3 9415 5000

**Investor Relations**
Ms Rebecca Wilson
Buchan Consulting
Tel: +61 3 9866 4722

**Annual General Meeting Date and Place**
The Annual General Meeting will be held
Wednesday, 21 November 2018 at 10:00 am at:
Offices of Pitcher Partners, Level 13,
664 Collins Street, Melbourne, Victoria, 3000

info@dorsavi.com | www.dorsavi.com

**Australia**
+61 3 9652 2198
Level 1, 120 Jolimont Road
East Melbourne, VIC, 3002