APPENDIX 4E STATEMENT
(Listing rule 4.3A)

IDENTITII LIMITED
FINAL REPORT
for the year ended 30 June 2019

Results for announcement to the market

		30 June 2019 $	30 June 2018 $	% change to prior year	
1.	Revenues from ordinary activities	635,134	185,833	up	224%
2.	Loss from ordinary activities after tax attributable to members	(8,163,297)	(2,929,945)	up	179%

Dividend information

3. **Total dividend per ordinary share**
   No dividends were proposed for the years ending 30 June 2019 and 30 June 2018.

4. **Record date for determining entitlements to the final dividend**
   Not applicable

5. Net tangible asset per security	30 June 2019	30 June 2018
	$	$
Net tangible assets	5,358,634	594,926
	Number of shares	Number of shares
Total number of ordinary shares of the Company	54,518,799	34,202,371
Net tangible asset backing per ordinary security	$0.10	$0.02

This information should be read in conjunction with any public announcements made in the period by Identitii Limited in accordance with continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional information supporting the Appendix 4E disclosure requirements can be found in the Director's report and the consolidated financial report for the year ended 30 June 2019, which has been independently audited by KPMG. The Independent Audit Report by KPMG is included in the consolidated financial report for the year ended 30 June 2019.

Identitii Limited

ABN 83 603 107 044

ASX: ID8

2019 Annual Report

Contents

Identitii Limited
ABN 83 603 107 044
ASX: ID8

Chairman's letter

Dear fellow shareholder,

It is with pleasure that I present Identitii's Annual Report for 2019, our first as a listed company after completing our initial public offering on the Australian Securities Exchange in October 2018.

Identitii is an Australian FinTech company that has developed an open banking platform to help release the estimated US$9 trillion locked up on corporate balance sheets because of missing payment information.[1] Incredibly, 71% of payment information is still being sent over legacy channels such as fax, post, telephone and email.[2] With cash locked up, unreconciled, companies are less able to get on with business, which slows the supply of goods and payroll, limits discounts to buyers and increases borrowing costs.

Identitii is uniquely positioned to solve this problem with our core technology, Overlay+, which makes paying and collecting money frictionless. It does this by enabling the secure overlay of transaction level detail on top of financial messages, such as those sent via the SWIFT network. Using a private blockchain and tokenisation, Overlay+ can associate information such as invoices, remittance advices, Know Your Customer and fraud alerts, with a payment so payments can be reconciled with ease. This creates an ecosystem for suppliers, buyers, banks and regulators to share information.

Driving the uptake of Identitii's solution is a combination of increasing regulatory pressure on banks and changing expectations within their corporate customer base, along with Open Banking which pushes banks to bring new products and services to market faster, or risk losing customers to non-bank challengers.

Identitii is an Australian FinTech company that has developed an open banking platform to help release the estimated US$9 trillion locked up on corporate balance sheets because of missing payment information.[1]

Large fines, provisions for compensation and the high cost of remediation are driving banks to ensure that they comply fully with all regulatory requirements for payment transactions; have a higher degree of automation; and have a strong audit trail across the end-to-end transaction. This is challenging due to the limited capacity for information that can be provided by most legacy payment networks. At the same time, due to a decline in fee revenues from retail customers, banks are increasingly alert to the demands of their corporate customers for improved payment services and greater integration with their own systems to align with their own digital strategies and reduce cost.

Recognising the opportunity presented by our cornerstone client, global Tier 1 bank HSBC, we have throughout the year made the most of the

1. https://blog.tradeshift.com/the-9-trillion-dollar-question-why-is-so-much-liquidity-locked-up-in-the-supply-chain/
2. https://www.jpmorgan.com/global/ts/future-of-automated-reconciliation?source=cib_di_ jp_irri0518

global licence framework agreement we have with it to expand our business with the Group. This has seen us work with HSBC to move from the initial launch in India of HSBC DART, their Digital Account Receivables Tool, to preparations for its roll-out across a number of new markets in Asia. HSBC DART leverages our innovative tokenisation technology and integrates with HSBC's existing receivables technology infrastructure to streamline the client experience and automate the accounts receivable process for HSBC's corporate clients and their network of buyers.

In August, following the end of the financial year, we signed a new licence to provide Overlay+ to HSBC Australia. This represents the second licence agreement under the existing Global Framework Agreement and the commercialisation of a new use case for Identitii's technology. Overlay+ is expected to go live with HSBC Australia following implementation work which will be completed in Q2 2020.

In addition to continuing to grow our partnership with HSBC in new geographies, we are advancing discussions with other corporate banks and engaging directly with corporates. Our initial focus is on the Australian market to drive transaction volume through our platform, and therefore generate scalable revenue. However, globally there are forecasted to be more than 763 billion non-cash payment transactions in 2020, making expansion into the broader APAC region and beyond an appealing market for Identitii.

At the time of our listing we raised $11 million to further develop and commercialise our tokenisation technology, as well as build our operational team through the appointment of key talent in business development, marketing, account management and professional services. I'm very pleased with the progress we have made against these objectives.

In October 2018, we launched Overlay+ to potential banks and corporate customers and already we can see the strong momentum building in our sales pipeline.

We have also built up the senior management team with industry experts particularly focused on driving sales and marketing. Participation in industry conferences, media coverage and our new website have seen a strong growth in brand recognition and importantly a growing stream of inbound enquiries.

We have a great team in place now and I'd like to take this opportunity to thank them for the hard work, skill and dedication they've shown throughout the year. We are also proud of the diversity of talent Identitii has managed to attract, which was recognised by FinTech Australia when we won Best Workplace Diversity at the 2019 Finnies.

On behalf of the Board, I'd like to thank all our shareholders for their ongoing support. Through our initial public offering, we were delighted to welcome institutional support from Paradice Investment Management, Terra Capital, KTM Ventures and Lind Partners, with Regal Funds Management recently taking on KIS Capital's holding to join our register later this year.

Looking ahead, Identitii is highly focused on building licence and transaction revenues through continued expansion across the HSBC global footprint and continuing to build a strong pipeline of new bank and corporate customers, as well as new partnerships to support global reach and scale. While we operate in an industry that typically has long sales and implementation cycles, a strong foundation has already been laid and our expectation is that the financial year 2020 will be very fruitful.

Yours sincerely,

Michael Aston
Chairman
Identitii Limited

Operational Review

Identitii Limited

Identitii is an Australian FinTech company using blockchain and tokenisation to connect banks and businesses with the data they need to process, reconcile and report on payments to reduce last mile payment hold ups.

The Company is focused on building commercial scale by signing up new corporate banks and corporates, as well as partnering with global technology organisations. Identitii generates revenue through professional services fees for customisation and implementation work, a monthly licence fee for its technology platform and scalable API call fees which are volume driven.

Founded in 2014, Identitii Limited is headquartered in Sydney, Australia with an office in Hong Kong.

Overlay+

Identitii's flagship Overlay+ platform was launched in October 2018. It uses an innovative tokenisation technology to collect, store and securely share the increasing volumes of data and documents required to reconcile and report on payments. A key differentiator is that Overlay+ takes advantage of the technology systems already in place at banks and corporates, including the SWIFT network and internal Enterprise Resource Planning (ERP) systems, as opposed to requiring companies to replace technology that has been in place for decades. Overlay+ enables information to be shared between any party to a transaction, creating an ecosystem in which suppliers, buyers, banks and regulators have access to the data needed to reconcile and report on payments in real-time. This is a core tenet of the Open Banking trend sweeping the globe and being implemented here in Australia through the Consumer Data Right legislation.

Overlay+ uses innovative tokenisation technology to create an unalterable audit trail of activity. This simplifies Know Your Customer and financial crime compliance, payments, cash management, document management and standards adoption for financial institutions and corporates, and their counterparties.

Identitii's flagship Overlay+ platform was launched in October 2018. It uses an innovative tokenisation technology to collect, store and securely share the increasing volumes of data and documents required to reconcile and report on payments.

Global Tier One Banking Customer

Identitii has been working with its customer HSBC under a Global Framework Agreement since 2017. This innovative work has focused on solving the challenge of simplifying and automating the flow of information between HSBC corporate clients and their customers in the receivables process.

In June 2019, HSBC announced the launch of its Digital Accounts Receivable Tool (HSBC DART) to its corporate clients in India. HSBC DART was built on Identitii's innovative tokenisation technology for HSBC's Global Liquidity and Cash Management (GLCM) business and it integrates with HSBC's existing receivables technology infrastructure.

HSBC DART uses a unique information layer to securely communicate information associated with an invoice or payment. This streamlines the client experience and automates the accounts receivable process for HSBC's corporate clients and their network of buyers, by reducing their dependence on manual processes. In turn, this enhances working capital efficiency.

Following the launch of HSBC DART in India, Identitii is now enabling HSBC as it rolls out HSBC DART into new geographies in Asia.

In addition, Identitii signed a new licence agreement to provide its Overlay+ platform to HSBC Australia following the end of the financial year, in August 2019. This represents the second licence agreement for Identitii's technology under the existing Global Framework Agreement. Overlay+ is expected to go live with HSBC Australia following implementation work which will be completed in Q2 2020.

Commercialisation Strategy

Direct & Partnership Approaches

Identitii is further commercialising its tokenisation technology through sales of its core platform Overlay+ to new customers. The Company is initially focused on building relationships with corporate banks and corporates in Australia and across the Asia Pacific region.

In addition, the Company is building its direct relationships with large Australian corporates to highlight the benefits of its technology which unlocks cash that would otherwise sit unreconciled in the corporate's bank account, slowing the supply of goods and payroll, limiting discounts to buyers and increasing borrowing costs.

Identitii is also focused on partnering with global technology organisations to greatly extend its sales reach.

New Partnerships – Trace Financial & Microsoft

Identitii partnered with leading message transformation software provider Trace Financial, in April 2019, to target SWIFT member banks that wish to reduce the significant cost of converting their existing payments technology systems to comply with a new financial message standard, ISO 20022. SWIFT has mandated its 11,000 member banks and institutions in over 200 countries to adopt the new standard messaging format through a phased process between 2021 and 2026, to update and enhance functionality and security.

The partnership with Trace Financial represents a new channel to market for Identitii, extending its reach into significant revenue opportunities. Interest from a number of overseas banks and other industry players has already been generated from early presentations of this proposition.

In June 2019, Identitii became a Microsoft 'Co-Sell Ready' partner, enabling it to pursue commercial opportunities with Microsoft's global customer base. The partnership includes sales opportunities to combine Overlay+ with Microsoft's products, including its cloud platform Microsoft Azure. This allows Identitii to provide multiple API-based integration options to connect with existing corporate systems.

The partnership with Microsoft also provides Identitii with access to Microsoft's global sales expertise and marketing capabilities, including marketing assets and campaign content.

Accelerated Marketing Efforts

During the financial year, Identitii accelerated its marketing efforts for Overlay+, attending and presenting at multiple key industry conferences in Australia and Europe, including:

- **Sibos (October 2018)** – the leading global financial services conference attended by more than 7,000 payments, risk, trade services and corporate treasury professionals. Identitii showcased its newly launched platform Overlay+ at the conference.
- **HSBC Cash Academy roadshow** (February 2019) - a series of events aimed at HSBC's corporate clients to discuss digital transformation for corporates and Open Banking opportunities in Australia.
- **ACCELERATERegTech19** (March 2019) – an industry event that included 300

regulators, regulated entities, governments, technology firms and allied associations brought together to support the development of world leading regulatory technology in Australia and to promote the adoption of RegTech solutions in the banking and financial services industry.

- **EBAday 2019 (June 2019)** - the Euro Banking Association's annual conference held in Stockholm Sweden, focused on innovation, infrastructure and reinvention for banking executives and fintechs.

These marketing and sales efforts have built a strong sales pipeline of corporate banks and corporates which the Company expects to engage with further in the 2020 financial year.

Strengthened Team

During the financial year, Identitii appointed key executives to augment the expertise of its high calibre Senior Leadership Team. This entailed the appointment of a Chief Marketing Officer and Chief Commercial Officer to help Identitii accelerate growth and drive its go-to-market strategy. In addition, the Company recruited a Head of Corporate Development, a Head of Client Engagement and a Head of People and Culture during the financial year.

Continual Technology Innovation

Throughout the financial year, Identitii continued to invest in the innovation of its tokenisation technology.

The technology team has progressed the development of version three of Overlay+ which the Company expects to release in the first quarter of the 2020 financial year. Version three includes a library of third-party applications that offer increasing value to Identitii customers, and a developer centre, designed to enable third party and customer developers to more easily create applications on top of the Overlay+ platform, and enhances Identitii's ability to onboard integration partners.

More recently, the development team has commenced its work program to align its software with Corda blockchain, which is an open source private blockchain supported by R3 and used by the Corda Network, an internet of Corda nodes operated by network participants. Corda is run by financial institutions across the world, including the Commonwealth Bank of Australia and Accenture, making it the ideal blockchain for Identitii to leverage to achieve commercialisation with its target customers. Development work is progressing well and is expected to be complete by mid-September.

Following the end of the financial year, Identitii signed a perpetual licence with Loot Financial Services Limited to leverage its user interface mobile and web applications for Overlay+. The new licence accelerates the Company's ability to offer white-labelled mobile and web apps to medium sized banks and their customers. It also delivers significant time and cost savings to Identitii, which had previously planned to build the apps in-house. The Company is integrating the apps into its Overlay+ solution.

Corporate Summary

Identitii successfully listed on the Australian Securities Exchange in October 2018, following the completion of a fully underwritten initial public offering (IPO) raising $11 million before costs at $0.75 per share.

The funds raised are being used to further the development and commercialisation of Identitii's tokenisation technology, as well as appoint key resources in business development, sales, marketing, account management and professional services.

Identitii Hong Kong Limited was incorporated in January 2019. The Hong Kong team is responsible for expanding new and existing customer relationships in the APAC region.

Directors Report

Identitii Limited
For the year ended 30 June 2019

The Directors present their report together with the consolidated financial statements of the Group comprising of Identitii Limited (the Company) and its subsidiary for the year ended 30 June 2019 and the auditor's report thereon.

Directors

The Directors of the Company at any time during the year ended 30 June 2019 and up to the date of this report are:

Name, qualification and independence status	Experience, special responsibilities and other directorships
Executive	
Mr. Nicholas Armstrong *B. Sc* *Director* *Chief Executive Officer* Appointed 28 November 2014	Nick is an entrepreneur, with 15 years' experience in building and scaling technology businesses. Nick was founder and CEO of COzero Holdings Ltd, an energy technology company, until a majority investment by a Japanese strategic investor in 2013. Nick co-founded Identitii in 2014 with Eric Knight and is also the CEO.
Non-Executive	
Mr. Michael Philip Aston *B. E. Eng* *Independent Non-Executive Director Chairman* Appointed 29 June 2018	Michael is an experienced senior executive and FinTech entrepreneur with an international career in building and leading global technology businesses. Michael was CEO, Chairperson and co-founder of Distra Pty Limited, a leading next generation payments platform, until it was acquired by ACI worldwide in 2012. Michael has held a number of executive and board positions with large global corporates including GEC Marconi, Serco Systems Limited, CAE Incorporated and is currently Business Executive Advisor to Accenture. Michael is a member of the Australian Institute of Directors and received an NSW Pearcey Award for entrepreneurship in 2013. Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Committee.

Directors Report

Identitii Limited
For the year ended 30 June 2019

Name, qualification and independence status	Experience, special responsibilities and other directorships
Non-Executive	
Mr. Martin Rogers *B.Eng (Chem), B.Sc (Computer)* *Non-Executive Director* Appointed 16 January 2018	Martin is a start-up investor and company Director with experience in incubating companies and publicly listed organisations. Martin has experience in many aspects of financial, strategic and operational management and has been both an investor and senior executive in a private funded advisory business in the technology, science and life sciences sector. Martin is Chief Investment Officer of KTM Ventures Innovation Fund LP and is also a Director of Independent Reserve, a leading institutional Australian cryptocurrency exchange. Martin was previously a Non-Executive Director of OncoSil Medical Limited (ASX: OSL) (resigned October 2016) and Non-Executive Chairman of Actinogen Medical Limited (ASX:ACW) (resigned November 2016). Member of the Nomination and Remuneration Committee and the Audit and Risk Committee.
Mr. Peter Lloyd *MAICD* *Independent Non-Executive Director* Appointed 4 September 2018	Peter has over 40 years' experience in computing technology, having worked for both computer hardware and software providers. For the past 35 years, Peter has been involved in the provision of payments solutions for banks and financial institutions. Currently Peter is an Independent Non-Executive Director of ASX listed companies Integrated Research Limited (ASX:IRI) (appointed July 2010) and Flamingo AI Limited (ASX:FGO) (appointed April 2018). Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.
Dr. Gregory John Clark AC *Ph.D. (Physics)* *Independent Non-Executive Director* Appointed 29 June 2018 (resigned 30 July 2018)	Dr Gregory Clark AC is a technologist, businessman and scientist with extensive governance, corporate and commercial expertise on an international level. He most recently served as a Director on the Board of the ANZ Banking Group Limited which he served on for 9 years until November 2013.

Directors Report

Identitii Limited
For the year ended 30 June 2019

Company secretary

Mrs. Margarita Claringbold was appointed to the position of company secretary on 7 May 2018 and resigned from this position effective 1 January 2019 with the concurrent appointment of Elissa Hansen.

Elissa is a chartered secretary with over 15 years' experience as a company secretary and corporate governance professional. She has worked with boards and management on a range of ASX and NSX listed companies including assisting a number of organisations through the IPO process. Elissa is experienced in the specific requirements of companies in industries including resources, information technology, industrials and biotechnology.

Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Nicholas Armstrong	8	8	-	-	-	-
Michael Aston	8	8	1	1	1	1
Martin Rogers	8	8	1	1	1	1
Peter Lloyd	7	6	1	1	1	1
Gregory Clark [1]	-	-	-	-	-	-

[1] Ceased as a Director on 30 July 2018

A – Eligible to attend

B – Attended

Principal activities

The principal activities of the Group during the financial year were the development of the Overlay+ platform. Overlay+ uses blockchain technology to create a secure and unalterable audit trail of activity for each financial transaction, addressing a bank's need to Know Your Transaction. It simplifies customer and financial crime compliance, payments, cash management, document management and standards adoption for financial institutions and corporates and their counterparties by enhancing financial messages with information related to the purpose, origin and beneficiary of a payment at the time a payment is made.

Operating and financial review

Review of operations

In October 2018, the Group raised $11 million via a fully underwritten Initial Public Offering (IPO) and listed on the Australian Securities Exchange (ASX).

Directors Report

Identitii Limited
For the year ended 30 June 2019

Operating and financial review (continued)

On 18 October 2018, the Group announced the launch of its new platform Overlay+. This platform was born out of Identitii Serra and introduces significant functionality and customer experience enhancements for banks and corporates. New features available include deep integration with Microsoft Outlook and other mail clients as well as incorporating a real time data stream from Robotic Process Automation (RPA) market leader Blue Prism. Overlay+ is also integrated with Dow Jones Risk & Compliance and global LEI databases, simplifying customer due diligence and compliance checks.

On 1 January 2019, Ms. Elissa Hansen was appointed as company secretary. Ms. Hansen replaced Mrs. Margarita Claringbold who resigned from her position as company secretary effective on the same date.

On 8 January 2019, the Group successfully incorporated a wholly owned subsidiary in Hong Kong, Identitii Hong Kong Limited. This will allow the Group to develop its Asia Pacific team to support new and existing clients in the region.

On 13 March 2019, the Group announced commencement of work on Phase two of the project with HSBC. Phase two will deliver additional functionality to support HSBC's plans to roll out the platform solution into multiple geographies. This phase is expected to generate additional revenue for the Group of up to US$480,000 with US$80,000 billed during the year ended 30 June 2019.

On 8 April 2019, the Group announced its industry partnership with Trace Financial with whom the Group intends to target SWIFT member banks who are mandated to adopt ISO 20022, a new financial message standard. This partnership has a joint focus on sales and marketing, extending reach into new revenue opportunities.

On 3 June 2019, the Group became a Microsoft Corporation (Microsoft) 'Co-Sell Ready' partner. This enables the Group to pursue joint commercial opportunities with Microsoft to drive global sales of Overlay+, representing a new channel to market and significantly scaling its customer reach.

On 18 June 2019, the Group advised that its customer, HSBC, had announced the launch of its Digital Accounts Receivable Tool (HSBC DART) using the Group's innovative tokenisation technology, to its corporate clients in India.

Review of financial conditions

The Group reported revenue from contracts with customers of $635,134 for the year ended 30 June 2019 (30 June 2018: $185,833), an increase of 242% from the prior year. This reflects the progress of the Group in its path to becoming revenue generating and self-sustaining. The Group reported a net loss after tax of $8,163,297 for the year ended 30 June 2019 which was substantially driven by salary and employee benefit expenses and expenditure on research and development (R&D) related activities.

The Group held no borrowings at 30 June 2019, had a positive net current asset balance of $4,934,806 and positive overall net asset balance of $5,358,634.

The Group had $4,120,380 of cash and cash equivalents on hand at 30 June 2019 and reported a net cash outflow from operating activities of $5,096,441 during the year ended 30 June 2019.

Significant changes in the state of affairs

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2019.

Directors Report

Identitii Limited
For the year ended 30 June 2019

Dividends

No dividends were declared or paid by the Company during the financial year ended 30 June 2019.

Events subsequent to reporting date

On 30 July 2019, the Group announced the signing of a non-exclusive perpetual licence agreement with Loot Financial Services Limited (Loot). The licence allows the Group to use Loot's fully developed user facing mobile and web applications for a cash consideration of £35,000 ($62,150) with no ongoing financial or non-financial commitments.

On 20 August 2019, the Group announced the signing of a new licence agreement to provide its Overlay+ platform to HSBC Australia, representing the commercialisation of a new use case for the Overlay+ technology. Implementation is to be completed in Q2 2020 with the platform expected to go live thereafter. The agreement is for an initial five-year term and has a minimum contract value of $511,600 with scope to be extended.

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

Likely developments

The Group will continue to develop the Overlay+ platform and continue to sign new customers and grow its pipeline of partners. This will require further investment in product and business development and marketing.

To address the going concern basis of preparation note in the financial statements and to enable the Company to fulfil its obligations as and when they fall due for a period of no less than 12 months from the issuance of this financial report, the Company is evaluating its plans to raise additional capital from a variety of both debt and equity sources. To continue as a going concern the Company is reliant on achieving its forecast revenue and R&D tax incentive income milestones, as well as securing additional funding to meet its working capital requirements.

Based on the above, the financial report for the year ended 30 June 2019 has been prepared on a going concern basis as the Directors conclude there are reasonable grounds to believe that the Company will continue to pay its debts as and when they become due and payable for a period of at least 12 months from the date of signing this report.

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

Environmental regulation

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

Directors Report

Identitii Limited
For the year ended 30 June 2019

Directors interests

The relevant interest of each Director in the shares and options over shares issued by the companies within the Group, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Nicholas Armstrong (1)	9,478,340	1,350,000
Michael Aston (2)	252,897	400,000
Martin Rogers (3)	2,134,003	-
Peter Lloyd	-	-

(1) 275 Invest 2 Pty Ltd ATF the 275 Investment Trust, of which Nicholas Armstrong is a beneficiary, holds and controls the majority number of shares on issue in the Company and has been allocated options under the Equity Incentive Plan

(2) M&M Funds Management Pty Ltd ATF Savu Superannuation fund, of which Michael Aston is a beneficiary, holds a minor shareholding in the Company and has been allocated options under the Director option plan.

(3) Structure Investments Pty Ltd ATF Rogers Family Trust and Rogers SF Management Pty Ltd ATF Rogers Super Fund, of which Martin Rogers is a beneficiary, holds a minor shareholding in the Company.

Share options

Unissued shares under option

At the date of this report, unissued shares of the Group under option are:

Expiry date	Exercise price	Number of shares
28 August 2019	$0.63099	4,485,918
1 July 2021	$0.90	650,000
1 July 2021	$0.98	650,000
1 July 2021	$1.20	650,000
19 November 2022	$0.75	200,000
8 October 2022	$0.75	50,000
2 October 2022	$0.75	2,658,334
1 January 2023	$0.75	200,000
14 January 2023	$0.75	25,000
11 February 2023	$0.75	25,000
6 March 2023	$0.75	100,000
18 March 2023	$0.75	50,000
27 May 2023	$0.75	100,000
18 March 2024	$0.75	200,000
1 July 2028	$0.75	400,000
6 July 2028	$0.75	1,350,000
1 August 2028	$0.75	1,250,000
Total unissued shares under option		**13,044,252**

Directors Report

Identitii Limited
For the year ended 30 June 2019

Share options (continued)

All unissued shares are ordinary shares of the Company.

All options issued to employees under the Group's Equity Incentive Plan expire on the earlier of their expiry date or termination of the employee's employment, unless approved otherwise by the Board. All other options expire on their expiry date.

Further details about share-based payments to Directors and key management personnel (KMP) are included in the remuneration report in Table 1.

Shares issued on exercise of options

During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
5,014,028	$0.04343
635,734	$0.23

Indemnification and insurance of officers and auditors

The Company has entered into a director protection deed with each Director. Under these deeds, the Company indemnifies the Directors against all liabilities to another person that may arise from their position as Director of the Company and its controlled entities.

The Company has not indemnified or made a relevant agreement for indemnifying against a liability to any person who is or has been an auditor of the Group.

The Group paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts for the year ended 30 June 2019 and subsequent to the year end. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been Directors or Executive Officers of the Group.

Non-audit services

During the year KPMG, the Group auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditors is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Directors Report

Identitii Limited
For the year ended 30 June 2019

Non-audit services (continued)

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	30 June 2019 $
Services other than audit and review of financial statements:	
Investigating accountants report	79,250
Audit and review of financial statements	60,030
Total paid to KPMG	**139,280**

Proceedings on behalf of the Group

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18 and forms part of the Directors' report for the year ended 30 June 2019.

Rounding of Amounts to the Nearest Dollar

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

Directors Report

Identitii Limited
For the year ended 30 June 2019

Audited Remuneration Report

The Directors present the Remuneration Report (the Report) for the Company and its subsidiary (the Group) for the year ended 30 June 2019. This Report forms part of the Directors' Report and has been audited in accordance with Section 300A of the *Corporations Act 2001*. The Report details the remuneration arrangements for the Group's Key Management Personnel (KMP):

- Executive KMP
- Non-Executive Directors

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Group.

1. Principles of remuneration

The performance of the Group depends upon the quality and commitment of the Directors and Executives. The philosophy of the Directors in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate hurdles for variable executive remuneration.

The Nomination and Remuneration Committee reviews and make recommendations to the Board on the Group's remuneration policies, procedures and practices. It also defines the individual packages offered to Executive Directors and KMP, for recommendation to the Board.

The Board may consider engaging an independent remuneration consultant, to advise the Board on appropriate levels of remuneration relative to its industry peer group.

In accordance with Corporate Governance best practice (Recommendation 8.2), the structure of non-executive director and executive remuneration is separate and distinct as follows:

a) Non-executive Directors

Fixed and variable remuneration

The Board seeks to set non-executive Directors' remuneration at a level that provides the Group with the ability to attract and retain Directors of a high calibre whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. This amount has been fixed by the Company at $250,000. The amount of aggregate remuneration and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from shareholders and takes into account the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Non-executive Directors' base fees cover all main board activities and membership of all committees; however, they do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation. Non-executive Directors are entitled to participate in the Equity Incentive Plan.

Directors Report

Identitii Limited
For the year ended 30 June 2019

1. Principles of remuneration (continued)

Year ended to	**30 June 2019**	**30 June 2018**
	$	**$**
Chairman's Fee	115,000	75,000
Non-executive Directors	50,000	50,000

Effective 1 May 2019, the Board approved an increase in Michael Aston's remuneration from $75,000 p.a. to $115,000 p.a. commensurate with Michael's increase in engagement, namely an additional one day per week to provide assistance with sales, partnerships, business development and investor relation activities.

b) Executives and executive Director remuneration

Remuneration for executives and executive Directors consists of fixed and variable remuneration only. Executives do not receive any performance related remuneration.

Fixed remuneration

Fixed remuneration is reviewed annually by the Directors. The process consists of a review of relevant comparative remuneration in the employment market and within the Group. The Group may engage an independent remuneration consultant to advise the Board on appropriate levels of remuneration for the Group's Executive Directors relative to its industry peer group.

Variable remuneration

Variable remuneration is provided in the form of share options under the Group Equity Incentive Plan (EIP). Under the EIP, one share option entitles the holder to one share in the Company subject to vesting conditions. Executives and executive Directors vesting conditions are linked to continued years of service and not to performance hurdles. The Board have the discretion to settle share options with a cash equivalent payment. Participants in the EIP will not pay any consideration for the grant of the share option unless determined otherwise. Share options will not be listed and may not be transferred, assigned or otherwise dealt with unless approved by the Directors. If the executive's employment terminates before the share options have vested, the share options will lapse, unless approved otherwise by the Board.

2. Details of remuneration

Details of the remuneration of the Key Management Personnel (KMP) as defined in *AASB 124 Related Party Disclosures* are set out in Table 1 which follows.

The KMP of the Group have authority and responsibility for planning, directing and controlling the activities of the Group. The KMP make or participate in making decisions that affect the whole, or a substantial part, of the business or who have the capacity to affect significantly the Group's financial standing.

The KMP of the Group are the executive and non-executive Directors and the Chief Financial Officer.

Directors Report

Identitii Limited
For the year ended 30 June 2019

Details of the nature and amount of each major element of remuneration of each Director of the Company, and other KMP of the Group are:

Table 1	**Short-term benefits**	**Post-employment**	**Other long-term benefits**	**Share-based payments**	**Total**	**% share based payments**
	Salary	**Superannuation**	**(A)**	**Share options (B)**		**(variable)**
Year ended 30 June 2019	**$**	**$**	**$**	**$**	**$**	
Executive Directors						
Nicholas Armstrong [1]	148,674	14,970	12,308	486,933	**662,885**	73%
Non-Executive Directors						
Michael Aston [2]	75,125	7,137	-	65,776	**148,038**	44%
Martin Rogers [3]	50,000	-	-	-	**50,000**	0%
Peter Lloyd [4]	37,862	3,597	-	-	**41,459**	0%
Gregory Clark [5]	-	-	-	-	**-**	0%
Other KMP						
Margarita Claringbold [6]	138,625	-	-	-	**138,625**	0%
Total	**450,286**	**25,704**	**12,308**	**552,709**	**1,041,007**	

(A) In accordance with *AASB 119 Employee Benefits*, annual leave is classified as other long-term employee benefits
(B) The fair value of share options is calculated at the date of grant using the Black Scholes options-pricing model and allocated to each reporting period from grant date to vesting date depending on the vesting conditions attached to the options. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

(1) Share options held via 275 Invest 2 Pty Ltd of which Nicholas Armstrong is a beneficiary.
(2) Share options held via M&M Funds Management Pty Ltd ATF Savu Superannuation Fund of which Michael Aston is a beneficiary.
(3) Remuneration invoiced via Structure Investments Pty Ltd ATF Rogers Family Trust of which Martin Rogers is a beneficiary.
(4) Appointed 4 September 2018.
(5) Appointed 29 June 2018 (resigned 30 July 2018).
(6) Remuneration invoiced via Gram Accounting & Advisory Pty Ltd of which Margarita Claringbold is a beneficiary. This includes remuneration for CFO, company secretary, accounting and IPO related services.

Directors Report

Identitii Limited
For the year ended 30 June 2019

	Short-term benefits	Post-employment	Other long-term benefits	Share-based payments	Total	% share based payments
	Salary	Superannuation	(A)	Share options (B)		(variable)
Year ended 30 June 2018	$	$	$	$	$	
Executive Directors						
Nicholas Armstrong [(1)]	144,135	-	-	-	**144,135**	0%
Non-Executive Directors						
Eric Knight [(2)]	-	-	-	-	**-**	0%
Damian Roche [(3)]	-	-	-	98,269	**98,269**	100%
Martin Rogers [(4)]	-	-	-	43,851	**43,851**	100%
Michael Aston [(5)]	-	-	-	60,943	**60,943**	100%
Gregory Clark [(6)]	-	-	-	-	**-**	0%
Other KMP						
Margarita Claringbold [(7)]	69,750	-	-	-	**69,750**	0%
Total	**213,885**	**-**	**-**	**203,063**	**416,948**	

(1) Remuneration invoiced via Farsight Management (Australia) Pty Ltd of which Nicholas Armstrong is a beneficiary.
(2) Resigned 29 June 2018.
(3) Resigned 29 June 2018. Share options held via Wodi Wodi Pty Ltd ATF Wodi Wodi Trust of which Damian Roche is a beneficiary.
(4) Appointed 16 January 2018. Share options held via Structure Investments Pty Ltd ATF Rogers Family Trust of which Martin Rogers is a beneficiary.
(5) Appointed 29 June 2018. Share options held via M&M Funds Management Pty Ltd ATF Savu Superannuation Fund of which Michael Aston is a beneficiary.
(6) Appointed 29 June 2018 (resigned 30 July 2018).
(7) Appointed 1 December 2017. Remuneration invoiced via Gram Accounting & Advisory Pty Ltd of which Margarita Claringbold is a beneficiary. This includes remuneration for CFO, company secretary, accounting and IPO related services.

Directors Report

Identitii Limited
For the year ended 30 June 2019

3. Service agreements

The following is a summary of the current major provisions of the agreement relating to remuneration of the Executive Director.

Nicholas Armstrong – Chief Executive Officer

Nicholas Armstrong is the Chief Executive Officer of the Group and is considered a key member of the Group's management team.

Employment Conditions

Commencement date: 28 November 2014

Term: Ongoing until notice is given by either party

Review: Annually

Notice period required on termination: 3 months by either party

Termination benefits: None

Independent Review

To ensure the Group complies with industry best practice in relation to the remuneration of its Executive Director, the non-executive Directors of the Group will consider engaging the services of a remuneration consultant to conduct an independent assessment of the remuneration packages negotiated with its Executive Director.

The following is a summary of the current major provisions of the agreement relating to remuneration of executive KMP:

Margarita Claringbold – Chief Financial Officer

Margarita has been engaged by the Group pursuant to the terms of a written Executive Service Agreement to oversee all finance functions in her appointed role as Chief Financial Officer. The executive services agreement is in effect until terminated.

Margarita receives $11,000 per month (exclusive of GST), with provision for additional days of work as required.

Employment Conditions

Commencement date: December 2017 (with current Executive Services Agreement in place since 1 August 2018)

Term: Ongoing until notice is given by either party

Notice period required on termination: 3 months by either party

Termination benefits: None

4. Equity instruments

All share options refer to options over ordinary shares of Identitii Limited, which are exercisable on a one-for-one basis under the Equity Incentive Plan (EIP).

Directors Report

Identitii Limited
For the year ended 30 June 2019

a) Options over equity instruments granted as compensation

	Number of options granted during the year	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested during the year
Nicholas Armstrong	1,350,000	6 July 2018	$0.52	$0.75	6 July 2028	-

All options expire on the earlier of their expiry date or termination of the individual's employment. Vesting is conditional on the individual remaining in employment during the vesting period.

No vested options were exercised or forfeited during the year.

b) Analysis of movements in equity instruments

The movement during the year in the number of options over ordinary shares in Identitii Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Number held at 1 July 2018	Granted	Number held at 30 June 2019	Vested during the year	Vested and exercisable at 30 June 2019
Nicholas Armstrong	-	1,350,000	1,350,000	-	-
Michael Aston	400,000	-	400,000	150,000	250,000

5. KMP transactions

a) Loans to KMP and their related parties

There were no loans outstanding at the end of the reporting period to KMP and their related parties, where the individual's aggregate loan balance exceeded $100,000 in the reporting period.

Unsecured loans issued to Nicholas Armstrong during the year ended 30 June 2019 amounted to $10,320. During the year, Nicholas Armstrong repaid $nil of the balance outstanding on the loan. No interest is payable on the loan and it has no fixed term of repayment.

b) Other transactions with KMP

A number of KMP, or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of that entity.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

Directors Report

Identitii Limited
For the year ended 30 June 2019

c) Movements in shares

The movement during the reporting period in the number of ordinary shares in Identitii Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2018	Acquired	Disposed	Held at 30 June 2019
Nicholas Armstrong	9,866,050	80,000	(467,710) [1]	9,478,340
Michael Aston	166,666	86,231	-	252,897
Martin Rogers	2,126,670	7,333	-	2,134,003
Peter Lloyd	-	-	-	-
Margarita Claringbold	-	7,000	-	7,000

(1) Shares disposed of prior to the Initial Public Offering in October 2018

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

Michael Aston
Chairman

Sydney
28 August 2019

Auditor's Independence Declaration

KPMG

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

To the Directors of Identitii Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Identitii Limited for the financial year ended 30 June 2019 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Nic Buchanan

Partner

Sydney

28 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Identitii Limited
For the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Revenue from contracts with customers	9	635,134	185,833
R&D tax incentive		1,184,264	906,257
Government grants	10	174,210	495,800
Interest income		51,553	8,619
Total revenue and other income		**2,045,161**	**1,596,509**
Expenses			
Salaries and employee benefit expenses		4,778,511	1,595,511
Consultants fees		885,731	256,206
Advertising and marketing		363,149	97,484
Depreciation and amortisation		33,192	2,862
General expenses		424,161	231,911
Interest expense		24,832	5,409
Legal expenses		283,671	101,751
Office expenses		169,463	49,734
Travel and accommodation		151,765	33,390
Rent		99,238	16,226
IPO listing expenses		207,067	-
Impairment reversal on trade receivables		(1,036)	-
Research and development expenses		2,783,714	2,086,390
Total expenses		**10,203,458**	**4,476,874**
Loss before income tax		**(8,158,297)**	**(2,880,365)**
Income tax expense	11	5,000	49,580
Loss for the year		**(8,163,297)**	**(2,929,945)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(8,163,297)**	**(2,929,945)**
Basic loss per share (cents)	12	(16.27)	(9.14)
Diluted loss per share (cents)	12	(16.27)	(9.14)

Consolidated Statement of Financial Position

Identitii Limited
As at 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents	13	4,120,380	259,995
R&D tax receivable		1,205,915	883,327
Trade receivables	9	218,358	192,606
Other receivables		73,876	43,892
Prepayments		97,160	-
Total current assets		**5,715,689**	**1,379,820**
Non-current assets			
Property, plant and equipment	14	407,836	32,636
Other non-current assets		15,992	-
Total non-current assets		**423,828**	**32,636**
Total assets		**6,139,517**	**1,412,456**
Liabilities			
Current liabilities			
Trade and other payables	15	394,141	215,173
Employee provisions	16	322,064	202,357
Contract liabilities	9	34,425	-
Lease liability	22	30,253	-
Loans and borrowings	17	-	400,000
Total current liabilities		**780,883**	**817,530**
Total liabilities		**780,883**	**817,530**
Net assets		**5,358,634**	**594,926**
Equity			
Share capital	18	16,261,495	3,939,439
Share options reserve		2,584,528	1,975,966
Foreign currency translation reserve		(1,729)	-
Retained losses		(13,485,660)	(5,320,479)
Total equity		**5,358,634**	**594,926**

Consolidated Statement of Changes in Equity

Identitii Limited
For the year ended 30 June 2019

	Note	Share capital $	Share option reserve $	Foreign currency translation reserve $	Retained losses $	Total equity $
Balance at 1 July 2018		3,939,439	1,975,966	-	(5,320,479)	594,926
Initial application of AASB 15	5(a)	-	-	-	1,487	1,487
Initial application of AASB 9	5(b)	-	-	-	(3,371)	(3,371)
Adjusted balance at 1 July 2018		**3,939,439**	**1,975,966**	**-**	**(5,322,363)**	**593,042**
Total comprehensive loss		-	-	(1,729)	(8,163,297)	(8,165,026)
Issue of ordinary share capital	18	10,999,975	-	-	-	10,999,975
Costs of equity raising		(828,713)	-	-	-	(828,713)
Share options exercised	28	1,926,667	(1,895,397)	-	-	31,270
Share options forfeited	28	224,127	(224,127)	-	-	-
Equity-settled share based payments	28	-	2,728,086	-	-	2,728,086
Balance at 30 June 2019		**16,261,495**	**2,584,528**	**(1,729)**	**(13,485,660)**	**5,358,634**
Balance at 1 July 2017		1,904,746	1,058,571	-	(2,390,534)	572,783
Total comprehensive loss		-	-	-	(2,929,945)	(2,929,945)
Issue of ordinary share capital		1,976,931	-	-	-	1,976,931
Share options exercised		57,762	-	-	-	57,762
Equity-settled share based payments		-	917,395	-	-	917,395
Balance at 30 June 2018		**3,939,439**	**1,975,966**	**-**	**(5,320,479)**	**594,926**

Consolidated Statement of Cash Flows

Identitii Limited
For the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Receipts from customers		637,300	-
Receipts from government grants and tax incentives		989,398	1,031,101
Payments to suppliers and employees		(6,769,681)	(3,364,039)
Cash flow utilised in operations		**(5,142,983)**	**(2,332,938)**
Interest received		50,929	8,619
Interest and other costs of finance paid		(4,387)	-
Total cash flows from operating activities	20	**(5,096,441)**	**(2,324,319)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(443,912)	(35,498)
Proceeds from disposal of property, plant and equipment		2,740	-
Other cash items from investing activities		45,115	-
Total cash flows from investing activities		**(396,057)**	**(35,498)**
Cash flows from financing activities			
Proceeds from borrowings		-	400,000
Repayment of borrowings		(400,000)	(80,000)
Transaction costs related to loans and borrowings		(20,445)	(11,408)
Proceeds from the issue of shares		10,999,975	1,976,931
Proceeds from exercise of share options		31,270	57,762
Transaction costs related to issue of shares		(1,255,050)	-
Total cash flows from financing activities		**9,355,750**	**2,343,285**
Net increase in cash held		**3,863,252**	**(16,532)**
Opening cash balance		259,995	276,527
Effect of movement in exchange rates		(2,867)	-
Closing cash balance	13	**4,120,380**	**259,995**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

1. Reporting entity

Identitii Limited (the Company) is a Company incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange (ASX:ID8). The registered office and principal place of business is Level 2, 129 Cathedral Street, Woolloomooloo, NSW 2011. These consolidated financial statements comprise the Company and its subsidiary (together referred to as the Group).

The Group is a for profit entity and is primarily involved in developing and licensing enterprise software for financial services and banking institutions. Its main product Overlay+ is an application that enables the secure and trusted exchange of information over financial networks using a secure private blockchain.

2. Basis of preparation

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with *Australian Accounting Standards (AASBs)* adopted by the *Australian Accounting Standards Board (AASB)* and the *Corporations Act 2001*. The consolidated financial statements comply with *International Financial Reporting Standards (IFRS)* adopted by the *International Accounting Standards Board (IASB).* They were authorised for issue by the Board of Directors on 28 August 2019*.*

Details of the Group's accounting policies are included in Note 6.

This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 5.

Going concern

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

The statement of profit or loss and OCI for the year ended 30 June 2019 reflects a loss after income tax of $8,163,297. As at 30 June 2019, the statement of financial position reflects a net asset position of $5,358,634.

To address future funding requirements and to enable the Company to fulfil its obligations as and when they fall due for a period of no less than 12 months from the issuance of this financial report, the Company has evaluated its current contractual revenue pipeline and working capital forecasts, together with the ability to utilise a variety of financing facilities. The Company is also evaluating plans to raise additional equity capital to meet its development expenses and cash flow requirements.

Consequently, the Directors have concluded there are reasonable grounds to believe that the Group will continue to be able to pay its debts as and when they become due and payable for a period of no less than 12 months from the date of signing this financial report and that the preparation of the 30 June 2019 financial report on a going concern basis is appropriate.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

3. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Group's functional currency. The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest Australian dollar, unless otherwise stated.

4. Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 9 – revenue recognition: whether revenue from licence fees is recognised over time or at a point in time.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

Note 6(c) – measurement and realisation of R&D tax incentive: determining the percentage of expenditure that is directly attributable to eligible R&D activities when measuring the R&D tax incentive. Uncertainty exists over the quantum and timing of realisation of the R&D tax incentive claim until such time as the claim has been examined and accepted by the Australian Tax Office (ATO);

Note 11 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can and cannot be utilised;

Note 21.ii(b) – measurement of ECL allowance for trade receivables: key assumptions in determining the weighted average loss rate such as expected future loss based on industry comparatives; and

Note 28 – share based payments: key assumptions in determining the valuation of share based payment transactions on grant date. Key assumptions include expected expiry dates, volatility rates and likelihood of vesting.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

5. Changes in significant accounting policies

The Group has initially adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018.

A number of other new standards are effective from 1 July 2018, but they do not have a material impact on the Group's financial statements, namely:

- AASB 2016-5: *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6: *Amendments to Australian Accounting Standards – Applying* AASB 9 *Financial Instruments with* AASB 4 *Insurance Contracts*
- AASB 2017-1: *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments,* and
- Interpretation 22: *Foreign Currency Transactions and Advance Consideration.*

a) AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 July 2018). Accordingly, the information presented for the prior year has not been restated and is therefore presented as previously reported, under AASB 118, AASB 111 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained losses at 1 July 2018.

	Note	Impact of AASB 15 at 1 July 2018 $
Retained losses		
Revenue from contracts with customers – maintenance fees	(i)	1,487

The following tables summarise the impact of adopting AASB 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated statement of profit or loss and OCI for the year then ended for each of the line items affected. There was no impact on the Group's consolidated statement of cash flows for the year ended 30 June 2019.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

5. Changes in significant accounting policies (continued)

Impact on the consolidated statement of financial position

30 June 2019	Note	As reported	Adjustments	Without adoption of AASB 15
		$	$	$
Assets				
Trade receivables		218,358	-	218,358
Others		5,921,159	-	5,921,159
Total assets		**6,139,517**	**-**	**6,139,517**
Contract liabilities	(i)	34,425	13,012	47,437
Others		746,458	-	746,458
Total liabilities		**780,883**	**13,012**	**793,895**
Net assets		**5,358,634**	**(13,012)**	**5,345,622**
Equity				
Retained losses		(13,485,660)	(13,012)	(13,498,672)
Others		18,844,294	-	18,844,294
Total equity		**5,358,634**	**(13,012)**	**5,345,622**

Impact on the consolidated statement of profit or loss and OCI

30 June 2019	Note	As reported	Adjustments	Without adoption of AASB 15
		$	$	$
Revenue and other income	(i)	2,045,161	(11,525)	2,033,636
Expenses		(10,203,458)	-	(10,203,458)
Income tax expense		(5,000)	-	(5,000)
Loss for the year		**(8,163,297)**	**(11,525)**	**(8,174,822)**
Total comprehensive loss for the year		**(8,163,297)**	**(11,525)**	**(8,174,822)**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

5. Changes in significant accounting policies (continued)

(i) Maintenance fees: Under AASB 118, revenue for maintenance fees was recognised when the Group had an obligation to invoice under the contract. Under the contract, no maintenance fees were payable by the customer until 31 March 2019 after which maintenance fees were to be billed annually upfront for the remainder of the contract term. Under AASB 15, revenue is recognised when the performance obligation to provide maintenance services is met, which is the date the licence was first transferred on 31 May 2018.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams. Furthermore, R&D tax incentives and government grant income do not fall within the scope of AASB 15. Refer to Note 9 for further details.

b) AASB 9 Financial instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of AASB 9, the Group has adopted consequential amendments to AASB 101 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Additionally, the Group has adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* that are applied to current year disclosures but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to AASB 9 on retained losses at 1 July 2018.

	Note	Impact of AASB 9 at 1 July 2018 $
Retained losses		
Expected credit losses (ECLs)	(ii)	3,371

i. Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value in other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated, Instead, the hybrid financial instrument as a whole is assessed for classification.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

5. Changes in significant accounting policies (continued)

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial assets and liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under AASB 9, refer to Note 6(h).

The following table below indicates the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018, the date of transition.

	Note	Original classification	New classification	Original carrying amount	New carrying amount
				$	$
Financial Assets					
Cash and cash equivalents		Loans and receivables	Amortised cost	259,995	259,995
Trade receivables	(A)	Loans and receivables	Amortised cost	192,606	189,235
Other receivables		Loans and receivables	Amortised cost	43,892	43,892
Financial Liabilities					
Trade and other payables		Other financial liabilities	Other financial liabilities	215,173	215,173
Loans and borrowings		Other financial liabilities	Other financial liabilities	400,000	400,000

(A) Trade receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost. An increase of $3,371 in the allowance for impairment over these receivables was recognised in opening retained losses at 1 July 2018 on transition to AASB 9.

Other than noted in (A) above, there was no material impact as a result of adopting AASB 9 on the classification and measurement of financial assets and liabilities in the Group's financial statements on 1 July 2018.

ii. Impairment of financial assets

AASB 9 replaces the 'incurred loss' model with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value in other comprehensive income, but not to investments in equity instruments.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

5. Changes in significant accounting policies (continued)

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 results in an additional allowance for impairment as follows.

	$
Loss allowance as at 30 June 2018 under AASB 139	**-**
Additional impairment recognised at 1 July 2018 on:	
Trade receivables as at 30 June 2018	3,371
Loss allowance as at 1 July 2018 under AASB 9	**3,371**

Additional information about how the Group measures the allowance for impairment is described in Note 6(i).

iii. Hedge accounting

The Group does not apply hedge accounting. As such there have been no changes to the financial statements for the year ended 30 June 2019 in relation to hedge accounting.

iv. Transition

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained losses and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of AASB 9, but rather those of AASB 139.

Furthermore, the determination of the business model within which a financial asset is held has been made on the basis of facts and circumstances that existed on the date of initial application.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

6. Significant accounting policies

a) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within general expenses.

b) Revenue from contracts with customers

The Group has initially applied AASB 15 from 1 July 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 9. The effect of initially applying AASB 15 is described in Note 5(a).

c) Research and development tax incentive

The research and development (R&D) tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset (or a cash refund if in a tax loss position) for eligible R&D activities. The Group recognises the R&D tax incentive in profit or loss when the Group incurs the eligible R&D expenditure. The R&D tax incentive income is presented on a gross basis and is not netted off against the R&D costs to which it relates.

d) Government grants

The Group recognises an unconditional government grant in profit or loss when the grant becomes receivable. The Group received income from two government grants during the year under review.

The Accelerating Commercialisation (AC) grant provides businesses with funding to cover eligible commercialisation costs, up to a maximum expenditure of $1 million, to assist in taking products to market. The Group recognises the AC grant in profit or loss when project milestones are achieved and the Group receives an unconditional right to the income. The AC grant is presented on a gross basis and is not netted off against the eligible commercialisation costs to which it relates. The final amount owing under the AC grant was received in the year ended 30 June 2019.

The Export Market Development Grant (EMDG) scheme is a key Australian Government financial assistance program that encourages small to medium sized Australian businesses to develop export markets by granting funding to cover eligible export expenditure, up to a maximum claim of $150,000. The Group recognises the EMDG in profit or loss when the application is successful and the Group receives an unconditional right to the income. The EMDG income is presented on a gross basis and is not netted off against the eligible export expenditure to which it relates.

Refer to Note 10 for further details.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

e) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Share based payment arrangements

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

f) Income tax

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

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to incomes taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

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

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

f) Income tax (continued)

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, the future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that is has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

g) Property, plant and equipment

Recognition and measurement

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

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

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

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

g) Property, plant and equipment (continued)

Subsequent expenditure

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

Depreciation

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

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	2019	2018
Office fit out	6 years	-
Computer equipment	3 years	3 years
Office equipment	5 years	-

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

h) Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – policy from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value in other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

h) Financial instruments (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets primarily to collect contractual cash flows; and
- Its contractual term gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test).

The Group does not have any debt or equity investments that are classified and measured at FVOCI. Therefore, all financial assets that do not meet the classification requirements for amortised cost are classified and measured at FVTPL.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest - policy applicable from 1 July 2018

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued contractual interest is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – subsequent measurement and gains and losses – policy applicable from 1 July 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

h) Financial instruments (continued)

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group also derecognises a financial asset when its terms are modified and the cash flows associated with the modified asset are substantially different, in which case a new financial asset based on the modified terms is recognised at fair value.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

i) Impairment

A. Non-derivative financial assets

Policy applicable after 1 July 2018

Financial instruments and contract assets

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- contract assets

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

i) Impairment (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets (excluding trade receivables) that are determined to have low credit risk at the reporting date; and
- other financial assets and bank balances for which credit risk (ie. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs and are calculated using a provision matrix under the simplified approach.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward looking information and the use of macro-economic factors.

The Group assumes that the credit risk on a financial asset has increased if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if held); or
- the financial asset is more that 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the asset.

ECLs for trade receivables and contract assets are calculated using a provision matrix based on historical default rates adjusted for current and forecast credit conditions including other business, financial and economic factors such as geographical region and external credit rating.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

i) Impairment (continued)

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following:

- significant financial difficulty of the borrower;
- a breach of contract such as default or being more that 90 days past due;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

There have been no changes in estimation techniques or significant assumptions made during the year.

Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write off based on whether there is reasonable expectation of recovery. The Group expects no significant recovery for the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

Financial assets not classified as at fair value through profit or loss, were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

i) Impairment (continued)

B. Non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with AASB 112. Refer to Note 6(f) for further details.

k) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Lease payments

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

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

l) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price ie. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

7. New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing this annual financial report.

AASB 16 *Leases*
AASB 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC® 4 *Determining whether an Arrangement contains a Lease*, SIC-15® *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed a more detailed assessment of the potential impact on its financial statements. The Group has considered current economic conditions, including the Group's estimated borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at this date, whether it will exercise any lease renewal options and the extent to which the Group will choose to use practical expedients and recognition exemptions.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

7. New standards and interpretations not yet adopted (continued)

Currently the impact identified is that the Group will recognise a new asset and liability for the operating lease on its office facilities. The Group intends to apply the modified retrospective approach to transition and will apply the recognition exemption to leases where the remaining term of the lease is less than 12 months from date of transition. At 30 June 2019, the Group's future minimum lease payments under its office operating leases amounted to $851,469 on an undiscounted basis. This assumes the Group will exercise its 3 year lease renewal option when the current lease term expires on 6 August 2021, thus extending the lease to 6 August 2024. On transition date of 1 July 2019, the Group will recognise a right of use asset totalling $656,227 and a lease liability totalling $715,679.

There are no other standards that are not yet effective and that would be expected to have a significant impact on the Group's financial statements in the current or future reporting periods.

8. Operating segments

An operating segment is a component of the Group

- that engages in business activities from which it may earn revenues and incur expenses (including revenue and expenses relating to transactions with the Group's other components), and
- whose operating results are reviewed regularly by the Group's chief operating decision maker for the purpose of making decisions about allocating resources to the segment and assessing its performance.

The Group has one reportable segment, which develops and licenses enterprise software for financial services and banking institutions. As the Group continues to grow, it will re-evaluate the information provided to the chief operating decision maker which may change the Group's operating segments going forward.

Geographic information

The Group's main operations and place of business is in Australia, with majority of its revenue being derived in Asia.

	30 June 2019	30 June 2018
Revenue from contracts with customers	**$**	**$**
Asia	614,773	185,833
Other	20,361	-
	635,134	**185,833**

Revenue is based on the location of the customer. Refer to Note 9 for further detail on major customers, products and services.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

8. Operating segments (continued)

Location of non-current assets	30 June 2019 $	30 June 2018 $
Australia	418,684	32,636
Other	5,144	-
	423,828	**32,636**

Non-current assets include property, plant and equipment and rental security deposits.

9. Revenue

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in Note 5(a). Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

The Group generates revenue primarily from the licensing of enterprise software to financial institutions and the provision of professional and maintenance services to its customers.

i. Performance obligations and revenue recognition policies

Other than a one-off finite contract with a customer during the year, the Group's current and ongoing revenue stream is derived from a single customer under a number of different contracts.

Under the contracts, the Group grants a global licence for the use of its software product to its customer. The licence start date per the agreement is 31 March 2018 and will terminate on 31 March 2021. The contract continues for three years unless terminated earlier and may be extended by the customer at any time up to an additional two years on written notice to the Group.

The contracts also facilitate the provision of certain software, training, maintenance, customisation and configuration or other services from the Group in consideration for the payment of fees. The customer is granted, for the term of each contract, a non-exclusive, perpetual, irrevocable and royalty-free licence to use the software in a specific use case. The Group retains all rights, title and interest in the intellectual property of the software.

The Group is currently recognising revenue under these contracts for licence fees, maintenance fees and professional services, each regarded as a separate performance obligation. Revenue is measured based on the consideration specified in the contract and is recognised when the Group transfers control over the product or service to its customer. Charges are determined by a number of factors including transaction volume, customisation requirements, ongoing support and maintenance and new feature releases. Pricing changes for each renewal term after the first year are to be mutually agreed in writing.

All invoices are to be paid 45 days from the date of receipt.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

9. Revenue (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in its contracts with customers including the related revenue recognition policies.

Product and services	Nature and timing of satisfaction of performance obligations
Licence fees	The contract requires the Group to undertake maintenance and software enhancement activities throughout the licence period that significantly affects the intellectual property (IP) to which the customer has rights. The nature of the Group's performance obligation in granting a licence is regarded as a right to access the IP and thus the Group recognises the licence fee revenue over time. Licence fee revenue is recognised in equal monthly instalments from the date the licence was first transferred on 31 May 2018 and for the term of the contract. The licence fee is a fixed annual fee as specified in the contract. The transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations that has not been recognised as revenue at 30 June 2019 amounts to $300,000.
Maintenance fees	Maintenance (software, equipment and hosted services maintenance) is to be provided to the customer on an ongoing basis from the date the licence was first transferred and throughout the term of the contract. Under the terms of the contract no maintenance fee is payable for the first year until the warranty period has expired, after which the maintenance fee is to be billed annually upfront with the first invoice issued on 31 March 2019. The maintenance fee is a fixed annual fee as specified in the contract. Under AASB 15, the performance obligation to provide maintenance services is first met upon transfer of the licence and is ongoing throughout the term of the contract. The total revenue to be billed under the contract is recognised in equal monthly instalments over time from the date the licence is first transferred on 31 May 2018 even though no fee is payable by the customer for the first year. The transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations that has not been recognised as revenue at 30 June 2019 amounts to $31,230.
Professional services (including setup, training and other support costs)	Professional services include setup, training and support costs as well as individual customisation projects that are separate and distinct performance obligations. The Group recognises revenue at a point in time based on time and materials incurred in delivering the product and services to the customer as per the terms and prices specified in the contract. Invoices are generated on confirmation of product and service delivery and revenue is recognised at that point in time. The transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations that has not been recognised as revenue at 30 June 2019 amounted to $571,429.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

9. Revenue (continued)

Where revenue is billed in advance, a contract liability is recognised and amortised over the period of the invoice. Where revenue is billed in arrears, a contract asset is recognised at the time of revenue recognition and transferred to trade receivables when the invoice is generated.

Warranties, returns and refunds
The warranty period is a period of at least 12 months from the licence start date. During this period no maintenance fees are payable by the customer however maintenance fees are recognised in revenue under AASB 15 from the date the licence is first transferred. Under the warranty period the Group undertakes that the product and services supplied are of satisfactory quality and fit for purpose, free from defects in design, operate in accordance with the contract and that appropriate master copies are maintained by the Group.

In the event of an unresolved third party intellectual property rights claim, the customer may elect to return all deliverables under the contract and be refunded in full for all charges paid by the customer to date. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Due to the absence of any third party intellectual property rights claim during the current and prior year, no adjustment has been made to revenue recognised during the period for expected returns.

The customer may terminate or partially terminate the contract, under specific conditions or for no reason, by written notice to the Group. The customer shall be entitled to a pro-rata refund of fees paid in advance of the termination date unless termination by the customer is for no reason. Due to the absence of any such written notice to the Group during the current and prior year, no adjustment has been made to revenue recognised during the period for expected refunds on termination.

ii. Disaggregation of revenue

In the following table, revenue is disaggregated by nature of product and service and is done so in conjunction with the Group's reporting segment.

	Enterprise Software Development and Licensing	
For the year ended 30 June	**2019**	**2018**
	$	**$**
Nature of product and service		
Licence fees	181,675	-
Maintenance fees	17,845	-
Professional services	435,614	185,833
Revenue from contracts with customers	**635,134**	**185,833**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

9. Revenue (continued)

iii. Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	30 June 2019 $	30 June 2018 $
Trade receivables	218,358	192,606
Contract liabilities	(34,425)	-

Contract liabilities primarily relate to the billing of licence fees in advance in relation to revenue which is recognised over time

Contract assets primarily relate to the Group's right to consideration for work completed but not billed at the reporting date. An amount of $1,487 was recognised in contract assets on 1 July 2018, on initial adoption of AASB 15, in relation to maintenance fees and has been recognised as revenue for the year ended 30 June 2019.

No information has been provided about remaining performance obligations at 30 June 2019 that have an original expected duration of one year or less, as allowed by AASB 15.

10. Government grants

	30 June 2019 $	30 June 2018 $
Accelerating commercialisation grant	50,000	495,800
Export market development grant	124,210	-
	174,210	**495,800**

Refer to Note 6(d) for further details.

11. Income tax expense

i. Amounts recognised in profit or loss

	30 June 2019 $	30 June 2018 $
Current tax expense		
Current year	5,000	49,580
Tax expense	**5,000**	**49,580**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

11. Income tax expense (continued)

ii. Reconciliation of accounting loss to taxable loss

	30 June 2019 $	30 June 2018 $
Loss before tax	(8,158,297)	(2,880,365)
Adjustments to accounting profit		
Non-deductible expenses	6,187,151	3,212,425
Tax exempt income	(1,184,264)	(906,257)
Taxable loss	**(3,155,410)**	**(574,197)**
R&D recoupment of tax on gross grant income	5,000	49,580
Tax expense	**5,000**	**49,580**

The Group is in a net tax loss position and does not recognise a deferred tax asset. The Group claims the R&D Tax Incentive and therefore is required to pay tax on the gross amount of grant income received, taxed at a concessional rate of 10%.

iii. Unrecognised deferred tax assets

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

	30 June 2019		30 June 2018	
	Gross amount	Tax effect	Gross amount	Tax effect
Tax losses	3,867,626	1,160,288	822,042	246,613

12. Loss per share

i. Basic loss per share

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

	30 June 2019 $	30 June 2018 $
Loss for the year attributable to owners of the Group	(8,163,297)	(2,929,945)

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

12. Loss per share (continued)

	30 June 2019 $	30 June 2018 $
Weighted-average number of ordinary shares		
Issued ordinary shares at 1 July	34,202,371	28,386,453
Effect of share options exercised	5,092,525	10,932
Effect of shares issued during the year	10,889,497	3,671,976
Weighted-average number of ordinary shares at 30 June	50,184,393	32,069,361
Basic loss per share (cents)	**(16.27)**	**(9.14)**

ii. Diluted loss per share

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

	30 June 2019 $	30 June 2018 $
Loss for the year attributable to owners of the Group	(8,163,297)	(2,929,945)
Weighted-average number of ordinary shares		
Weighted average number of ordinary shares (basic)	50,184,393	32,069,361
Effect of share options on issue [1]	-	-
Weighted-average number of ordinary shares (diluted)	50,184,393	32,069,361
Diluted loss per share (cents)	**(16.27)**	**(9.14)**

[1] At 30 June 2019 8,558,334 share based payment options (30 June 2018: 6,486,711) and 4,485,918 Series A options (30 June 2018: 4,485,918) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

13. Cash and cash equivalents

	30 June 2019 $	30 June 2018 $
Bank balances	1,102,988	259,995
Term deposits	3,017,392	-
	4,120,380	**259,995**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

14. Property, plant and equipment

i. Reconciliation of carrying amount

	Office fit out	Computer equipment	Office equipment	Total
	$	$	$	$
Cost				
Balance at 1 July 2017	-	-	-	-
Additions	-	31,181	4,317	35,498
Balance at 30 June 2018	**-**	**31,181**	**4,317**	**35,498**
Balance at 1 July 2018	-	31,181	4,317	35,498
Additions	351,024	55,270	37,618	443,912
Disposals	-	(2,990)	-	(2,990)
Balance at 30 June 2019	**351,024**	**83,461**	**41,935**	**476,420**
Accumulated depreciation				
Balance at 1 July 2017	-	-	-	-
Depreciation	-	2,054	808	2,862
Balance at 30 June 2018	**-**	**2,054**	**808**	**2,862**
Balance at 1 July 2018	-	2,054	808	2,862
Depreciation	38,765	23,662	3,958	66,385
Disposals	-	(663)	-	(663)
Balance at 30 June 2019	**38,765**	**25,053**	**4,766**	**68,584**
Carrying amounts				
At 1 July 2017	-	-	-	-
Balance at 30 June 2018	**-**	**29,127**	**3,509**	**32,636**
Balance at 30 June 2019	**312,259**	**58,408**	**37,169**	**407,836**

15. Trade and other payables

	30 June 2019	30 June 2018
	$	$
Trade payables	147,389	215,353
Other payables and accruals	246,752	(180)
	394,141	**215,173**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

16. Employee provisions

	30 June 2019 $	30 June 2018 $
Provision for annual leave	140,295	54,115
Superannuation payable	83,758	46,442
PAYG payable	87,174	101,800
Mandatory provident fund contributions payable	10,837	-
	322,064	**202,357**

17. Loans and borrowings

	30 June 2019 $	30 June 2018 $
R&D finance loan	-	400,000

During the prior year the Group had a loan facility in place with Rocking Horse Nominees Pty Ltd that was secured against the R&D tax incentive cash refund expected to be received in relation to eligible R&D expenditure incurred during that financial year. The interest rate on the loan principal was 1.67% per month with a minimum loan term of 91 days. This loan was fully repaid in August 2018.

i. Reconciliation of movements in loans and borrowings to cash flows arising from financing activities

	2019 $	2018 $
Balance at 1 July	**400,000**	**80,000**
Changes from financing cash flows		
Proceeds from borrowings	-	400,000
Repayment of borrowings	(400,000)	(80,000)
Transaction costs related to loans and borrowings	(20,445)	(11,408)
Total changes from financing cash flows	**(420,445)**	**308,592**
Other changes		
Finance costs	20,445	11,408
Balance at 30 June	**-**	**400,000**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

18. Share capital

	Ordinary Shares			
	30 June 2019		30 June 2018	
	$	Number of shares	$	Number of shares
In issue at beginning of the year	3,939,439	34,202,371	1,904,746	28,386,453
Issued for cash, net of costs of equity raising	10,171,262	14,666,666	1,976,931	4,485,918
Exercise of share options for ordinary shares	2,150,794	5,649,762	57,762	1,330,000
In issue at end of the year – authorised, fully paid and no par value	**16,261,495**	**54,518,799**	**3,939,439**	**34,202,371**

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

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

Issue of ordinary shares

On 6 August 2018, 5,649,762 vested options were exercised by key management personnel for ordinary shares in the Company.

On 3 October 2018, as part of the IPO, the Board approved the issue of 14,666,666 ordinary shares in the Company at a price of $0.75 per share.

Nature and purpose of reserves

The share option reserve comprises the cost of the Company shares issued under the Group's share based payment plans. Refer to Note 28.

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Dividends

No dividends were declared or paid by the Company for the current or previous year.

19. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital.

The Group monitors capital using a ratio of net debt to equity. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. The Group's policy is to keep the ratio below 2. The Group's net debt to equity ratio at 30 June was as follows:

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

19. Capital management (continued)

	30 June 2019 $	30 June 2018 $
Cash and cash equivalents	4,120,380	259,995
Less: total liabilities	780,883	817,530
Net assets / (debt)	**3,339,497**	**(557,535)**
Equity	**5,358,634**	**594,926**
Net debt to equity ratio	**n/a**	**0.94**

20. Reconciliation of cash flows from operating activities

	30 June 2019 $	30 June 2018 $
Cash flows from operating activities		
Total comprehensive loss for the year	(8,163,297)	(2,929,945)
Adjustments for:		
Equity settled share based payment transactions	2,728,086	917,395
Depreciation and amortisation	66,385	2,862
Gain on disposal of asset	(413)	-
Bank revaluation	1,305	-
Interest expense and other finance costs	20,445	11,408
IPO listing expenses	426,338	-
Initial application of AASB 15	1,487	-
Initial application of AASB 9	(3,371)	-
Other non-cash generating expenses	(36,871)	-
	(4,959,906)	(1,998,280)
Changes in:		
Trade and other receivables	(80,140)	(201,709)
R&D tax receivable	(322,588)	(321,376)
Prepayments	(97,160)	6,701
Trade and other payables	178,968	148,327
Employee provisions	119,707	42,018
Contract liabilities	34,425	-
Lease liability	30,253	-
Net cash from operating activities	**(5,096,441)**	**(2,324,319)**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

21. Financial instruments – fair values and risk management

The effect of initially applying AASB 9 on the Group's financial instruments is described in Note 5(b). Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

i. Accounting classifications and fair values

The carrying amount of the Group's financial assets and financial liabilities is a reasonable approximation of fair value due to their short term nature.

ii. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk (see ii (b))
- liquidity risk (see ii (c))
- foreign currency risk (see ii (d))

a) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The carrying amounts of financial assets and contract assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

	30 June 2019	**30 June 2018**
	$	**$**
Impairment loss on trade receivables and contract assets arising from contracts with customers	2,335	-

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the factors that may influence the credit risk of its customer base including the default risk associated with the industry and country in which the customers operate.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

21. Financial instruments – fair values and risk management (continued)

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 45 days for corporate customers.

Expected credit loss assessment for corporate customers

The Group uses a provision matrix to measure ECLs of trade receivables from corporate customers, which comprise of a small number of large balances.

The Group is still in its early stages of revenue generation with a small customer base and therefore doesn't have extensive historical information on which to base its loss rates. Its loss rates are management's best estimate based on industry comparatives and will be updated at every reporting period to reflect current and forecast credit conditions including other business, financial and economic factors. Loss rates are determined separately for each credit risk grade, based on external credit rating definitions from agency, Fitch. To date no customer balances have been written off or credit impaired at the reporting date.

The following tables provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 30 June 2019.

30 June 2019 ($)	External credit rating (Fitch)	Weighted average loss rate	Credit impaired	Gross carrying amount	Impairment loss allowance
Not past due	BBB- to AAA	0.1%	No	199,336	199
181-360 days past due	BB- to BB+	10.0%	No	21,357	2,136
				220,693	2,335

Cash and cash equivalents and other receivables

The Group held cash and cash equivalents of $4,120,380 at 30 June 2019 (30 June 2018: $259,995). The cash and cash equivalents are held with financial institution counterparties, which are rated A- to AA-, based on Fitch ratings. The Group considers its cash and cash equivalents to have low credit risk based on the external credit ratings of the counterparties.

The Group held other receivables of $73,876 at 30 June 2019 (30 June 2018: $43,892) which includes a related party loan with CEO, Nicholas Armstrong. The Group considers its other receivables to have low credit risk based on historical data available, the reputation of the counterparties and the systematic ease with which the receivables are recoverable.

On initial application of AASB 9, the Group did not recognise an impairment allowance for cash and cash equivalents and other receivables as at 1 July 2018. This did not change during the current year under review.

Movements in the allowance for impairment in respect of trade receivables, contract assets and other financial assets

The movement in the allowance for impairment in respect of trade receivables, contract assets and other financial assets during the year was as follows.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

21. Financial instruments – fair values and risk management (continued)

	30 June 2019 $
Balance at 1 July 2018 under AASB 139	**-**
Adjustment on initial application of AASB 9	3,371
Balance at 1 July 2018 under AASB 9	**3,371**
Amounts written off	-
Net remeasurement of loss allowance	(1,036)
Balance at 30 June 2019	**2,335**

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate, but manageable, borrowing facilities are maintained. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted and include contractual interest payments where applicable.

		Contractual cash flows		
At 30 June 2019 ($)	**Carrying amount**	**Total**	**2 months or less**	**2-12 months**
Loans and borrowings	-	-	-	-
Trade payables	147,389	(147,389)	(147,389)	-
	147,389	**(147,389)**	**(147,389)**	**-**

		Contractual cash flows		
At 30 June 2018 ($)	**Carrying amount**	**Total**	**2 months or less**	**2-12 months**
Loans and borrowings	400,000	(400,000)	(400,000)	-
Trade payables	215,353	(215,353)	(215,353)	-
	615,353	**(615,353)**	**(615,353)**	**-**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

d) Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group companies. The Group's exposure to foreign currency risk is concentrated primarily in trade receivables which are invoiced in United States Dollars (USD). As USD sales increase there will be a natural hedge in place as majority of Group expenditure is in Australian Dollars (AUD). Other foreign currency risk is not material at present.

Exposure to foreign currency risk

The following is the summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group:

	30 June 2019	30 June 2018
	USD	USD
Trade receivables	125,000	146,620
Trade payables	(1,875)	-
Net statement of financial position exposure	**123,125**	**146,620**

Sensitivity analysis

If foreign exchange rates were to increase / decrease by 10 per cent from rates used to determine fair values as at the end of the reporting period, assuming all other variables that might impact fair value remain constant, then the impact on profit or loss for the year would be as follows:

	30 June 2019	30 June 2018
Impact on profit after tax	$	$
10% increase in USD/AUD exchange rate	17,531	19,801
10% decrease in USD/AUD exchange rate	(15,937)	(18,001)

There has been no change in assumptions or method used to determine foreign currency sensitivity from the prior year.

22. Operating leases

The Group leases office premises under an operating lease. The lease is for a three year term with a 3.5% annual increase each year and includes an option to renew for a further three years from August 2021.

A lease liability of $30,253 has been recognised as at 30 June 2019 in relation to a three month rent free period granted on signing of the lease. The lease liability is being amortised to the statement of profit or loss over the remaining lease term.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

22. Operating leases (continued)

i. Future minimum lease payments

At 30 June, the future minimum lease payments under non-cancellable leases, on the assumption the three year lease renewal is accepted, are payable as follows:

	30 June 2019 $	30 June 2018 $
Less than one year	175,937	88,134
Between one and five years	661,002	-
More than five years	14,530	-
	851,469	**88,134**

ii. Amounts recognised in profit or loss

	30 June 2019 $	30 June 2018 $
Lease expense	198,476	108,171

23. Commitments

The Group has no commitments or contingencies other than those described in the Operating Leases note above.

24. Auditors' remuneration

	30 June 2019 $	30 June 2018 $
Audit and review services		
Auditors of the Group - KPMG		
Audit and review of financial statements	60,030	50,975
	60,030	**50,975**
Other services		
Auditors of the Group - KPMG		
Investigating accountants report (IPO)	**79,250**	**95,000**

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditors is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

25. Related parties

A. Parent and ultimate controlling party

Identitii Limited is the parent and ultimate controlling party of the Group.

B. Transactions with key management personnel

a) Key management personnel compensation

Key management personnel (KMP) compensation comprised the following:

Compensation by category	30 June 2019 $	30 June 2018 $
Short-term employment benefits	450,286	213,885
Post-employment benefits	25,704	-
Other long-term employment benefits	12,308	-
Share-based payments	552,709	203,063
	1,041,007	**416,948**

Compensation of the Group's KMP includes salaries, non-cash benefits and mandatory contributions to post-employment superannuation and provident funds.

Certain Directors as well as senior employees of the Group are entitled to participate in the Equity Incentive Plan.

b) Key management personnel transactions

Directors of the Company control approximately 22% of the voting shares of the Company.

A number of KMP, or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of that entity.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances related to KMP and entities over which they have control or significant influence were as follows:

		Transaction values for year ended 30 June		Balance outstanding as at 30 June	
Transactions ($)	**Note**	**2019**	**2018**	**2019**	**2018**
Loans to Director – Nicholas Armstrong	(i)	-	1,137	10,320	10,320

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

25. Related parties (continued)

(i) Unsecured loans were advanced to Director and CEO Nicholas Armstrong. No interest is payable on the loan and it has no fixed term of repayment. This loan is included in other receivables in the statement of financial position.

26. List of subsidiaries

The Company has one wholly owned subsidiary in Hong Kong, Identitii Hong Kong Limited, which was incorporated on 8 January 2019. The Company provided $333,783 of financial support during the year to its subsidiary to assist with the payment of current and ongoing general operating costs mostly in relation to salaries and employee benefit expenses.

27. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2019, the parent entity of the Group was Identitii Limited.

	30 June 2019	30 June 2018
	$	$
Results of parent entity		
Total comprehensive loss for the year	(8,163,297)	(2,929,945)
Financial position for the parent entity		
Current assets	5,715,689	1,379,820
Total assets	**6,139,517**	**1,412,456**
Current liabilities	780,883	817,530
Total liabilities	**780,883**	**817,530**
Total equity of the parent entity		
Share capital	16,261,495	3,939,439
Reserves	2,582,799	1,975,966
Retained losses	(13,485,660)	(5,320,479)
Total equity	**5,358,634**	**594,926**

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

28. Share based payment arrangements

For the year ended 30 June 2019, the Group recognised a share based payment expense of $2,728,086 in the statement of profit or loss (30 June 2018: $917,395) under the following share based payment arrangements.

		Share options			
		30 June 2019		30 June 2018	
		$	Number of options	$	Number of options
Share option programme	*(i)*	4,996	-	1,932,115	6,086,711
Director options	*(ii)*	109,627	400,000	43,851	400,000
Canaccord options	*(iii)*	620,303	1,950,000	-	-
Equity incentive plan	*(iv)*	1,849,602	6,208,334	-	-
In issue at end of the year [(1)]		**2,584,528**	**8,558,334**	**1,975,966**	**6,486,711**

[(1)] Further to the above, the Company has 4,485,918 Series A share options on issue as at 30 June 2019 (30 June 2018: 4,485,918) however these options fall outside the scope of AASB 2 *Share Based Payments*.

a) Description of share based payment arrangements

(i) Share Option Programme (equity settled) – closed

In 2016 the Group established the share option programme. This programme entitled key management personnel and senior employees to purchase ordinary shares in the Company subject to vesting conditions. Vesting conditions attached to these options required the employees to complete a specified period of service with the Group. Under this programme, vested options issued on or before 21 October 2016 were exercisable for ordinary shares at a price of $0.04343 per share. Vested options issued on or before 22 September 2017 were exercisable at a price of $0.23 per share.

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

On 6 August 2018, 370,000 options were granted to key management with an exercise price of $0.23 per share. The Board exercised its discretion to vest these options and issue ordinary shares to the value of the shares that would otherwise have been issued under the scheme less the aggregate exercise price payable in respect of exercise.

On 6 August 2018, 5,649,762 vested options valued at $1,895,397 were exercised by key management personnel for ordinary shares in the Company and 806,949 vested options valued at $224,127 were forfeited as part of a cashless exercise.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

28. Share based payment arrangements (continued)

- 5,014,028 share options were exercised and 281,222 share options were forfeited at a price of $0.04343 per share, and
- 635,734 share options were exercised and 525,727 share options were forfeited at a price of $0.23 per share.

At 30 June 2019, all share options awarded under the share option programme have vested and been exercised for ordinary shares in the Company and, as such, this programme is now closed.

The fair value of share options granted under the share option programme have been measured using the Black-Scholes model. A share based payment expense of $192,405 in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2019.

Grant date	Number of instruments	Vesting conditions	Contractual life of options
20 March 2016	1,050,000	3 years (1)	10 years
20 March 2016	1,974,000	4 years (2)	10 years
14 June 2016	630,000	4 years (2)	10 years
29 July 2016	1,300,000	4 years (2)	10 years
15 August 2016	700,000	3 years (1)	10 years
1 September 2016	720,000	3 years (1)	10 years
11 September 2016	180,000	4 years (2)	10 years
21 October 2016	180,000	4 years (2)	10 years
22 September 2017	1,930,000	4 years (2)	10 years
6 August 2018	370,000	Vest immediately on grant date	10 years
Share options issued	**9,034,000**		
Exercised for ordinary shares	(6,979,762)		
Forfeited	(2,054,238)		
Share options on issue as at 30 June 2019	**-**		

(1) **3 year share option programme** – 1/3 of share options issued vest 3 months after grant date, and the remaining 2/3 of options issued vest monthly over the remaining 33 months of the vesting term. Subsequently, all options were vested on 28 June 2018 as per Board discretion and exercised on 6 August 2018.

(2) **4 year share option programme** – 1/3 of share options issued vest 3 months after grant date, and the remaining 2/3 of options issued vest monthly over the remaining 45 months of the vesting term. Subsequently, all options were vested on 28 June 2018 as per Board discretion and exercised on 6 August 2018.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

28. Share based payment arrangements (continued)

(ii) Share options issued to Director Michael Aston (equity settled)

On 28 June 2018, Michael Aston was granted 400,000 share options at an exercise price of $0.75 per share in his capacity as Director of the Company. 25% of the options vested immediately on issue with the remaining 75% vesting in equal annual tranches over two years.

The fair value of share options granted to Michael Aston have been measured using the Black-Scholes model. A share based payment expense of $65,776 in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2019.

(iii) Share options issued to supplier of services

Canaccord Genuity (Australia) Limited (equity settled)

On 17 October 2018, the Company issued 1,950,000 share options to Canaccord Genuity (Australia) Limited (Canaccord) in consideration for corporate advisory services to be provided in connection with the Group's ongoing capital markets strategy. The options vested immediately and are subject to a mandatory escrow of 24 months commencing from the date of issue. The options expire on 1 July 2021.

The fair value of share options granted have been measured using the Black-Scholes model. A share based payment expense of $620,303 in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2019.

(iv) Equity Incentive Plan (equity settled)

On 10 January 2018 the Group established the Equity Incentive Plan (EIP). This is a long-term plan under which share options or performance rights to subscribe for shares may be offered to eligible employees and consultants as selected by the Directors at their discretion. Currently only share options have been awarded under the EIP.

Under the EIP, one share option entitles the holder to one share in the Company subject to vesting conditions such as the satisfaction of performance hurdles and/or continued employment. The Board have the discretion to settle share options with a cash equivalent payment. Participants in the EIP will not pay any consideration for the grant of the share option unless determined otherwise. Share options will not be listed and may not be transferred, assigned or otherwise dealt with unless approved by the Board. If the employee's employment terminates before the share options have vested, the share option will lapse, unless approved otherwise by the Board. Eligible employees holding a share option pursuant to the EIP have no rights to dividends and are not entitled to vote at shareholder meetings until that share option is vested and, where required, exercised.

The fair value of share options granted have been measured using the Black-Scholes model. A share based payment expense of $1,849,602 in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2019.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

28. Share based payment arrangements (continued)

The terms and conditions of share options granted under the EIP during the year ended 30 June 2019 are as follows.

Grant date	Number of instruments	Vesting conditions	Contractual life of options
CEO Nicholas Armstrong (6 July 2018)	1,350,000	3 years [(1)]	10 years
Key management (1 August 2018)	1,250,000	10% upfront, 3 years [(2)]	10 years
Key management (2 October 2018 – 30 June 2019)	3,250,000	3 years [(1)]	4 years
Consultant (1 January 2019)	200,000	2 years [(3)]	4 years
Key management (18 March 2019)	200,000	4 years [(4)]	5 years
Share options issued	**6,250,000**		
Forfeited	(41,666)		
Share options on issue as at 30 June 2019	**6,208,334**		

[(1)] **3 year equity incentive plan** – share options vest in equal annual instalments over 3 years from grant date

[(2)] **3 year equity incentive plan** – 10% of share options vest immediately on grant date with the remaining 90% of share options held vesting in equal annual instalments over 3 years from grant date

[(3)] **2 year equity incentive plan** – share options vest in equal annual instalments over 2 years from grant date

[(4)] **4 year equity incentive plan** – share options vest in three equal instalments from grant date pending three specific performance hurdles being met relating to product proof of value, commercialisation and go-live. Share option vesting has been estimated at 4 years.

b) Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share based payment awards granted during the year:

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

28. Share based payment arrangements (continued)

	Share Option Programme	Canaccord	Equity Incentive Plan		
			CEO	Key management	Consultant
Fair value at grant date	$0.52	$0.51	$0.52	$0.52	$0.49
Share price at grant date	$0.75	$0.85	$0.75	$0.72	$0.70
Exercise price	$0.23	$1.03	$0.75	$0.75	$0.75
Expected volatility (1)	113%	107%	100%	108%	104%
Expected option life *(years)*	>1	3	4	4	4
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free rate (2)	2.12%	2.10%	2.06%	2.01%	1.81%

(1) **Expected volatility** is based on a review of comparator companies as a proxy to examine fluctuations in share prices with the length of the estimation period commensurate with the life of each share based payment.

(2) **Risk free rate** is based on Australia's 3-year bond yield.

c) Reconciliation of outstanding share options

The number and weighted-average exercise price of share options under the share based payment arrangements noted above were as follows:

	Number of options 2019	Weighted-average exercise price 2019	Number of options 2018	Weighted-average exercise price 2018
Outstanding at 1 July	6,486,711	$0.11	6,734,000	$0.04
Forfeited during the year	(848,615)	$0.20	(1,247,289)	$0.09
Exercised during the year	(5,649,762)	$0.06	(1,330,000)	$0.04
Granted during the year	8,570,000	$0.79	2,330,000	$0.32
Outstanding at 30 June	**8,558,334**	**$0.78**	**6,486,711**	**$0.11**
Exercisable at 30 June	**2,333,334**	**$0.98**	**6,186,711**	**$0.08**

29. Subsequent events

On 30 July 2019, the Group announced the signing of a non-exclusive perpetual licence agreement with Loot Financial Services Limited (Loot). The licence allows the Group to use Loot's fully developed user facing mobile and web applications for a cash consideration of £35,000 ($62,150) with no ongoing financial or non-financial commitments.

Notes to the Consolidated Financial Statements

Identitii Limited
For the year ended 30 June 2019

29. Subsequent events (continued)

On 20 August 2019, the Group announced the signing of a new licence agreement to provide its Overlay+ platform to HSBC Australia, representing the commercialisation of a new use case for the Overlay+ technology. Implementation is to be completed in Q2 2020 with the platform expected to go live thereafter. The agreement is for an initial five-year term and has a minimum contract value of $511,600 with scope to be extended.

Directors' Declaration

Identitii Limited
For the year ended 30 June 2019

1. In the opinion of the Directors of Identitii Limited ('the Company'):
    a. the consolidated financial statements and notes that are set out on pages 19 to 63 are in accordance with the *Corporations Act 2001*, including:
        i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
        ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
    b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the Board of Directors:

Michael Aston
Chairman

Sydney
28 August 2019

Independent Auditor's Report to the Members of Identitii Limited

KPMG

Independent Auditor's Report

To the shareholders of Identitii Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Identitii Limited (the Company).

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Identitii Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Material uncertainty related to going concern

We draw attention to Note 2, Basis of preparation, Going Concern, in the financial report. The conditions disclosed in Note 2 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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

- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the development costs incurred and history of loss making operations;

Independent Auditor's Report to the Members of Identitii Limited

KPMG

- Evaluating the feasibility, quantum and timing of the Group's plans to raise additional capital or funds to address going concern; and
- Determining the completeness of the Group's going concern disclosures for the principal matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Accounting for Share-Based Payments and Share Option Reserve (AUD $2,584,528)	
Refer to Note 6e Significant accounting policies & Note 28 Share-based payment arrangements	
The key audit matter	**How the matter was addressed in our audit**

Accounting for Share-Based Payments and Share Option Reserve is a key audit matter due to:
 	
(i) The significant judgement we used to assess the volatility and risk free rate inputs used by the Group in the Black-Scholes valuation model for share options issued under the Group's share based compensation plans. This required the involvement of our valuation specialists.
 	
(ii) The Group's manual share based payment expense calculation includes a number of inputs such as share options granted, vested, exercised and forfeited across three different share based compensation plans, which increases the risk of error. This resulted in increased audit effort.
 	
(iii) The complexity of the Group's range of share based compensation plans, which increases the risk of interpretational differences against principles based criteria contained in accounting standards.
	Our procedures included:
	
	• Evaluated the appropriateness of the Group's accounting policy for share-based payments against the principles based criteria in AASB 2 *Share-based Payment*.
	
	• Obtained an understanding of the Group's share based compensation plans by inquiring with the Group and inspection of the Group's policies and underlying share option offers in their shared based payment compensation plans.
	
	• Worked with our valuation specialists to:
	
	  • assess the appropriateness of the Group's Black-Scholes valuation model against the requirements of the accounting standard and industry practice,
	
	  • compare the market derived inputs being the risk free rate and volatility rate used in the Group's Black-Scholes valuation model against publicly available market data for comparable entities, and considered differences for the Group. We used our knowledge of the Group and our industry experience; and
	
	  • perform an independent Black-Scholes valuation of the share options using the publicly available risk free rate and volatility

Independent Auditor's Report to the Members of Identitii Limited

KPMG

	rate from the procedure noted above. We compared the valuations to those recorded by the Group. • Checked a sample of the various inputs to the Group's manual share based payment expense calculation, such as grants, exercise, vests and forfeitures. We compared to underlying offer letters, shared based payment compensation plans, and the grant date fair value calculated by the Group. We recalculated the share based payment expense and compared this to the expense recognised by the Group. • Compared the value of the share options recorded by the Group in the general ledger to the value of share options determined by the Group's Black-Scholes valuation model. • Assessed the adequacy of disclosures against the requirements of the accounting standards.

Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Identitii Limited

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Identitii Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 11 to 17 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

28 August 2019

Additional ASX Information

In accordance with corporate governance statement ASX 4.10.3, the Directors provide the following information as at 12 August 2019.

a) Distribution of shareholders and options holders

Fully paid ordinary shares holding ranges	Holders	Number of shares	% of issued capital
1-1,000	37	25,852	0.047
1,001-5,000	164	476,053	0.873
5,001-10,000	101	736,726	1.351
10,001-100,000	101	3,351,277	6.147
100,001-9,999,999,999	41	49,928,891	91.581
Totals	**444**	**54,518,799**	**100.000**

There are 57 shareholders holding less than a marketable parcel of 1,471 shares each (i.e. less than $500 per parcel of shares) based on the closing price of AUD 0.34 on 12 August 2019 representing a total of 50,319 shares.

b) Twenty largest shareholders

	Shareholder	Number of shares held	% of issued capital
1	275 Invest 2 Pty Ltd	9,398,340	17.24
2	UBS Nominees Pty Ltd	6,207,193	11.39
3	Holywell Ford Pty Limited	4,633,953	8.50
4	Wodi Wodi Pty Limited <The Wodi Wodi A/C>	3,040,749	5.58
5	J P Morgan Nominees Australia Pty Limited	2,847,347	5.22
6	KTM Ventures Innovation Fund LP	2,567,306	4.71
7	HSBC Custody Nominees (Australia) Limited	2,204,174	4.04
8	Structure Investments Pty Limited<Rogers Family A/C>	2,126,670	3.90
9	The Australian Special Opportunity Fund LP	2,094,566	3.84
10	Mr Benjamin Buckingham	1,386,501	2.54
11	Mr Elliot Shepherd	1,326,538	2.43
12	KTM Ventures Co-Investment Services Pty Ltd<KTM Co-Investment No 1 A/C>	1,283,653	2.35
13	Oxleigh Pty Ltd	1,017,277	1.87
14	Bannaby Investments Pty Limited	945,981	1.74
15	Mainstay Holdings Pty Ltd<Waterside A/C>	752,757	1.38
16	Mr Daniel Friedman	720,000	1.32
17	Mainstay Holdings Pty Ltd<Waterside A/C>	700,000	1.28
18	Mr Jeremy Manoto	656,974	1.21
19	Mr Elvis Jarnecic	481,618	0.88
20	Citicorp Nominees Pty Limited	431,868	0.79
Total Securities of Top 20 Holdings		44,823,465	82.22
Total Securities		**54,518,799**	

Additional ASX Information

c) Substantial shareholders

A substantial shareholder is one who has a relevant interest in 5 per cent or more of the total issued shares in the Company. Following are the substantial shareholders in the Company based on notifications provided to the Company under the *Corporations Act 2011*:

Shareholder	Number of shares	% of issued capital
275 Invest 2 Pty Ltd	9,398,340	17.24
Regal Funds Management Pty Ltd	6,220,193	11.41
Martin Rogers	5,984,962	10.98
Australian Special Opportunity Fund LP	3,094,566	5.68
Wodi Wodi Pty Limited	3,040,749	5.58

d) Voting rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. There are no other classes of equity securities.

e) Restricted securities

The Company has the following fully paid ordinary restricted securities:

	Number of shares	Holders
ASX escrowed for 24 months to 17 October 2020	22,679,774	19
Voluntarily escrowed for 24 months to 17 October 2020	5,313,621	15
Total restricted securities	27,993,395	**34**
Free float	26,525,404	410
Total shares	**54,518,799**	**444**

Corporate Directory

Directors
Michael Aston, Chair
Nicholas Armstrong
Martin Rogers
Peter Lloyd

Company Secretary
Elissa Hansen

Registered Office
Level 2
129 Cathedral Street
Woolloomooloo
NSW 2011
Telephone: (02) 9056 4160

ABN 83 603 107 044

Company Website
https://identitii.com/

Auditors
KPMG
300 Barangaroo Avenue
Sydney
NSW 2000

Solicitors
Watson Mangioni Lawyers
Pty Limited
Level 23
85 Castlereagh Street
Sydney
NSW 2000

Securities Exchange Listing
Identitii Limited shares are
Listed on the Australian
Securities Exchange.
ASX Code: ID8

Share Registry
Boardroom Pty Limited
Level 12
225 George Street
Sydney
NSW 2000

Telephone: (02) 9290 9600

identitii