IntelliHR Holdings Limited

ACN 600 548 516

Financial report for the year ended 30 June 2016

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Corporate directory

Directors	G A J Baynton *M.Econ St, MBA, B.Bus, P.G.Dip. Applied Fin & Inv.* A Bellas *B.Econ, DipEd, MBA, FAICD, FCPA, FAIM* R Bromage *B.Bus, CAHRI* D Duffield *MAICD* J Fong *BInfTech*
Secretary	S M Yeates *CA, B.Bus*
Principal registered office in Australia	Level 14, 410 Queen Street Brisbane QLD 4000
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 www.bdo.com.au
Solicitors	McCullough Roberson Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000 www.mccullough.com.au
Bankers	Commonwealth Bank of Australia
Website address	www.intellihr.com.au

Directors' report

Your directors present their report on the company for the financial year ended 30 June 2016.

Directors

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

Gregory Baynton (Appointed 16 December 2016)

Anthony Bellas (Appointed 16 December 2016)

Robert Bromage

Jamie Duffield (Appointed 16 December 2016)

Jeremy Fong (Appointed 19 October 2016)

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

Review of Operations

The loss of the company for the financial year after providing for income tax amounted to $247,648 (2015: Loss $1,783).

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company during the financial year were the development of an innovative, cloud-based people management platform.

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

Events Subsequent to the End of the Reporting Period

Since 30 June 2016 the company has raised a further $2.1m through the issue of fully paid ordinary shares.

On 11 January 2017, intelliHR Holdings Limited's ultimate holding company, Resource Partners Pty Ltd, did an in specie distribution to its shareholders, on a pro-rata basis, of its shareholding in intelliHR Limited.

On 13 January 2017 intelliHR Holdings Pty Ltd converted to a public company, intelliHR Holdings Limited.

Since 30 June 2016, the company has issued 17,372,844 options over ordinary share under the Employee Share Option Plan.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

The Directors do not recommend the payment of a dividend. No dividend was paid during the year.

Options

At the date of this report, the Company has on issue 20,423,844 options over ordinary shares on issue. 3,051,000 (post 1:10 share split) of these options were issued during the financial year and the remainder have been issued since the end of the financial year.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of Company

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

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of Directors.

R Bromage

Director

Brisbane

6 September 2017

Auditors Independence Declaration

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DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF INTELLIHR HOLDINGS LIMITED

As lead auditor of intelliHR Holdings Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of intelliHR Holdings Limited and the entities it controlled during the period.

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 6 September 2017

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	Note	2016	2015
		$	$
Revenue			
Revenue from continuing operations	2	14,473	11,283
Other revenue	2	18,234	32
		32,707	11,315
Expenses			
Employee benefits expense		43,523	-
Depreciation and amortisation expense	3	118,549	3,334
General and administrative expenses		118,283	9,764
Profit before income tax		(247,648)	(1,783)
Tax expense	4	-	-
Profit for the year		(247,648)	(1,783)
Other comprehensive income		-	-
Total comprehensive income for the year		(247,648)	(1,783)
Profit attributable to members of the entity		(247,648)	(1,783)
Total comprehensive income attributable to members of the entity		(247,648)	(1,783)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	20	(0.62)	(0.02)
Diluted earnings per share	20	(0.62)	(0.02)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position as at 30 June 2016

	Note	2016	2015
		$	**$**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	452,384	91,579
Trade and other receivables	8	7,724	5,136
Other assets	9	44,576	-
TOTAL CURRENT ASSETS		504,684	96,715
NON-CURRENT ASSETS			
Intangible assets	10	1,277,518	542,654
TOTAL NON-CURRENT ASSETS		1,277,518	542,654
TOTAL ASSETS		1,782,202	639,369
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	83,792	67,132
Provisions	12	55,393	11,691
TOTAL CURRENT LIABILITIES		139,185	78,823
NON-CURRENT LIABILITIES			
Provisions	12	4,474	1,647
TOTAL NON-CURRENT LIABILITIES		4,474	1,647
TOTAL LIABILITIES		143,659	80,470
NET ASSETS		1,638,543	558,899
EQUITY			
Issued capital	13	1,687,168	578,633
Reserves		218,757	-
Retained earnings		(267,382)	(19,734)
TOTAL EQUITY		1,638,543	558,899

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 June 2016

	Note	Issued Capital Ordinary	Share based payments reserve	Retained Earnings	Total
		$	$	$	$
Balance at 1 July 2014		1	-	(17,951)	(17,950)
Profit for the year		-	-	(1,783)	(1,783)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year attributable to members of the entity		-	-	(1,783)	(1,783)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued		578,632	-	-	578,632
Total transactions with owners, and other transfers		578,632	-	-	578,632
Balance at 1 July 2015		578,633	-	(19,734)	558,899
Comprehensive income					
Profit for the year		-	-	(247,648)	(247,648)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year attributable to members of the entity		-	-	(247,648)	(247,648)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued		1,108,535	-	-	1,108,535
Share-based payments		-	218,757	-	218,757
Total transactions with owners and other transfers		1,108,535	218,757	-	1,327,292
Balance at 30 June 2016		1,687,168	218,757	(267,382)	1,638,543

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cashflows for the year ended 30 June 2016

	Note	2016	2015
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		50,761	28,558
Payments to suppliers and employees		(211,330)	(20,271)
Interest received		966	32
Net cash provided by operating activities	17	(159,603)	8,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Development		(744,259)	(408,848)
Research and development tax incentive refund		156,132	48,566
Net cash used in investing activities		(588,127)	(360,282)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		1,108,535	224,999
Proceeds from loans received from related parties		-	205,231
Net cash used in financing activities		1,108,535	430,230
Net increase in cash held		360,805	78,267
Cash and cash equivalents at beginning of financial year		91,579	13,312
Cash and cash equivalents at end of financial year	7	452,384	91,579

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2016

The financial statements cover intelliHR Holdings Limited and the entities it controlled during the financial year ended 30 June 2016. intelliHR Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 6 September 2017 by the directors of the company.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group achieved a net loss of $247,648 and net operating cash outflows of $159,603 for the period ended 30 June 2016. As at 30 June 2016 the Group has cash of $452,384.

The ability of the Group to continue as a going concern is principally dependent upon the following conditions:

- the ability of the Group to successfully raise capital, as and when necessary; and
- the ability to complete successful development and commercialisation of the Group's software platform.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- proven ability of the Group to raise the necessary funding via the issuance of shares as evidenced by raising $2.1 Million since 30 June 2016; and
- the planned capital raising and IPO.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

NOTE 1 SUMMARY OR SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of intelliHR Holdings Limited ('Company' or 'Parent Entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. intelliHR Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group.

Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

b. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. **Impairment of Assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

d. **Development costs**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

e. **Employee Benefits**

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

NOTE 1 SUMMARY OR SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the Monte Carlo Simulation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expect price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

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

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made.

An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

f. **Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

NOTE 1 SUMMARY OR SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. **Cash and Cash Equivalents**

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

h. **Revenue and Other Income**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

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

i. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(c) for further discussion on the determination of impairment losses.

j. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

k. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

l. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the company retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

m. **Earnings per share**

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Graphitecorp Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 1 SUMMARY OR SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key judgements

(ii) *Recognition of Development Costs*

For the purpose of measurement, AASB 138 allows costs incurred in the development stage to be capitalised if certain requirements are met, including:

- It is technically feasible that the intangible asset will be completed so that it will be available for use;
- It is the intention to complete the intangible asset and use it;
- It can be demonstrated that the it is probably that the intangible asset will generate future economic benefits;
- There are adequate resources to complete the development of the intangible asset;
- The expenditure attributable to the intangible asset during its development can be measured reliably.

As the company meets all of the above requirements, all costs directly attributable and necessary to create, produce and prepare the asset to be capable of operating in the manner intended, have been capitalised.

n. **New Accounting Standards for Application in Future Periods**

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

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts; and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2 REVENUE AND OTHER INCOME

	2016	2015
	$	$
Revenue		
Sales revenue:		
– Software Solution Sales	14,473	11,283
Other revenue:		
– Interest received	966	32
- Grant income	10,518	-
- Other	6,750	-
Total other revenue	18,234	32
Total revenue	32,707	11,315

NOTE 3 PROFIT FOR THE YEAR

	2016	2015
	$	$
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation expense	118,549	3,334

NOTE 4 TAX EXPENSE

	Note	2016	2015
		$	$
(a) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) before income tax expense		(247,648)	(1,783)
Tax at the Australian tax rate of 30% (2015 – 30%)		(74,294)	(535)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non-deductible items		32,196	1,114
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised		42,097	(579)
Income tax expense		-	-
(b) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		192,323	58,163
Potential tax benefit @ 30%		57,697	17,449
(d) Deferred tax balances			
The balance comprises temporary differences attributable to:			
Tax losses		57,697	17,449
Accruals		10,158	6,938
Employee entitlements		17,960	4,001
Total deferred tax assets		85,815	28,388
Set-off of deferred tax liabilities pursuant to set off provisions:			
Development assets		(37,051)	(21,724)
Net adjustment to deferred tax assets for tax benefits not recognised in profit or loss		(48,764)	(6,664)
Net deferred tax assets		-	-

Unused losses which have not been recognised as an asset, will only be obtained if:

(i) the group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the group in realising the losses.

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

	2016	2015
	$	$
Short-term employee benefits	325,555	218,653
Post-employment benefits	43,219	30,016
Share based payments	218,757	-
	587,531	248,669

Other KMP transactions

For details of other transactions and loans with KMP, refer to Note 15.

NOTE 6 AUDITOR'S REMUNERATION

	2016	2015
	$	$
Remuneration of the auditor:		
– auditing or reviewing the financial report	-	-
– taxation services	-	-
	-	-

NOTE 7 CASH AND CASH EQUIVALENTS

	Note	2016	2015
		$	$
Cash at bank and on hand		452,384	91,579
		452,384	91,579

Reconciliation of cash

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

	2016	2015
Cash at bank and on hand	452,384	91,579
	452,384	91,579

NOTE 8 TRADE AND OTHER RECEIVABLES

	Note	2016	2015
		$	$
CURRENT			
Trade receivables		1,350	1,160
Other receivables		6,374	3,976
Total current trade and other receivables		7,724	5,136

Credit risk

The company has no significant concentration of credit risk with respect to any counterparties or on a geographical basis.

NOTE 9 OTHER ASSETS

	2016	2015
	$	$
CURRENT		
Prepayments	44,576	-
Total current other assets	44,576	-

NOTE 10 INTANGIBLE ASSETS

	2016	2015
	$	$
Development Costs		
Cost	1,399,678	546,265
Accumulated amortisation	(122,160)	(3,611)
Carrying amount	1,277,518	542,654

	Development Costs
	$
Reconciliation of the carrying amount	
Year ended 30 June 2015	
Balance at the beginning of the year	131,487
Additions – internally developed	463,067
Research and Development tax incentive	(48,566)
Amortisation charge	(3,334)
Carrying amount at 30 June 2015	542,654
Year ended 30 June 2016	
Balance at the beginning of the year	542,654
Additions – internally developed	1,009,545
Research and Development tax incentive	(156,132)
Amortisation charge	(118,549)
Carrying amount at 30 June 2016	1,277,518

Capitalised development costs represent proprietary knowledge developed internally through the construction of the software platform.

Capitalised development costs have finite useful lives and are amortised on a straight-line basis over three years. The current amortisation charge for development costs is included under depreciation and amortisation expense in the statement of profit or loss.

NOTE 11 TRADE AND OTHER PAYABLES

	2016	2015
	$	$
CURRENT		
Unsecured liabilities:		
Trade payables	48,051	19,777
Sundry payables and accrued expenses	35,741	47,355
	83,792	69,132

NOTE 12 PROVISIONS

	2016	2015
	$	$
CURRENT		
Employee benefits	55,393	11,691
Total current provisions	55,393	11,691
NON-CURRENT		
Employee benefits	4,474	1,647
Total non-current provisions	4,474	1,647

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

NOTE 13 ISSUED CAPITAL

	2016	2015
	$	$
5,229,858 (2015: 3,700,000) fully paid ordinary shares	1,687,168	578,633
	1,687,168	578,633

	2016	2015	2016	2015
	$	$	No.	No.
a. **Ordinary shares**				
At the beginning of the reporting period	578,633	1	3,450,000	1
Shares issued in lieu of debt	-	353,633	-	3,000,000
Shares issued for cash	1,108,535	224,999	1,529,858	449,999
At the end of the reporting period	1,687,168	578,633	4,979,858	3,450,000

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

b. **Capital management**

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate return and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTE 14 RESERVES

	2016	2015
	$	$
Share-based payment reserve	218,757	-
Movements:		
Balance 1 July	-	-
Share-based payments during the financial year	218,757	-
Balance 30 June	218,757	-

The share-based payment reserve is used to recognise:

(a) the grant date fair value of performance rights issued to Directors

(b) the grant date fair value of options issued to Directors (refer note 19)

NOTE 14 CONTINGENT LIABILITIES

At 30 June 2016, intelliHR Holdings Limited did not have any contingent liabilities (30 June 2014: Nil).

NOTE 15 RELATED PARTY TRANSACTIONS

Related Parties

The company's main related parties are as follows:

a. **Entities exercising control over the company**

The ultimate parent entity, which exercises control over the company, is Resource Partners Pty Ltd.

b. **Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5.

c. **Other related parties**

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

e. **Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

		Note	2016	2015
			$	**$**
(i)	*Purchase of goods and services*			
	Other related parties:			
	A company of which R Bromage is a director provided administration services and office facilities during the year under normal commercial terms and conditions		301,775	165,373

NOTE 16 EVENTS AFTER THE REPORTING PERIOD

Since 30 June 2016 the company has raised a further $2.1m through the issue of fully paid ordinary shares.

On 11 January 2017, intelliHR Holdings Limited's ultimate holding company, Resource Partners Pty Ltd, did an in specie distribution to its shareholders, on a pro-rata basis, of its shareholding in intelliHR Limited.

On 13 January 2017 intelliHR Holdings Pty Ltd converted to a public company, intelliHR Holdings Limited.

Since 30 June 2016, the company has issued 17,372,844 options over ordinary share under the Employee Share Option Plan.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

NOTE 17 CASH FLOW INFORMATION

		2016	2015
		$	**$**
a.	**Reconciliation of cash flows from operating activities with profit after income tax**		
	Loss after income tax	(247,648)	(1,783)
	Non-cash flows in loss:		
	– depreciation and amortisation	118,549	3,334
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
	– increase in trade and other receivables	(2,588)	10,031
	- increase in other assets	(44,576)	-
	– increase/(decrease) in trade and other payables	16,660	(3,263)
	Net cash flows from operating activities	(159,603)	8,319

b. **Non-cash financing and investing activities**

During the year the Company issued 305,100 options to Mr J Fong as part of his employee remuneration. The fair value of the options has been calculated to be $218,757. This has been capitalised to development assets in line with Mr Fong's salary.

NOTE 18 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

	Note	2016	2015
		$	$
Financial assets			
Cash and cash equivalents	7	452,384	91,579
Loans and receivables	8	7,724	5,136
Total financial assets		460,108	96,715
Financial liabilities			
Trade and other payables	11	83,792	67,132
Total financial liabilities		83,792	67,132

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

a. **Credit risk**

Credit risk is managed on a Group basis. Credit risk arises primarily from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'AAA' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

b. **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. No finance facilities were available to the Group at the end of the reporting period.

All financial assets and financial liabilities mature within one year.

c. Cash flow and fair value interest rate risk

As the Group has interest-bearing cash assets, the Company's income and operating cash flows are exposed to changes in market interest rates. The Company manages its exposure to changes in interest rates by using fixed term deposits.

At 30 June 2015, if interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $4,524 lower/higher (2015 – change of 100 bps: $916 higher/lower), as a result of higher/lower interest income from cash and cash equivalents.

d. Fair Value

The carrying value of all other assets and liabilities approximate their fair value.

NOTE 19 SHARE BASED PAYMENTS

On 2 May 2016, 305,100 share options were granted to Mr Fong. The exercise price of these options is $0.04 per option with the options vesting immediately. The options have an expiry date of 20 April 2026.

The options are granted for no consideration and carry no dividend of voting rights.

When exercisable, each option is convertible into one ordinary shares.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2016 are set out in the table below. The fair value at grant date is independently determined using the Hull-White valuation model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

All options are granted for no consideration. Other model inputs for the options granted during the year ended 30 June 2016 included:

Share price at date of issue	$0.7264
Exercise price	$0.04
Grant date	2/05/2016
Expiry date	20/04/2026
Volatility	139.90%
Dividend yield	0%
Risk-free interest rate	3.52%
Fair value at grant date	$0.717

The expected price volatility is based on the historic volatility of comparable companies share transactions over the same period of time as the expected life of the option.

NOTE 20 EARNINGS PER SHARE

	2016	2015
	Cents	Cents
Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.62)	(0.02)
Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(0.62)	(0.02)

Reconciliation of earnings used in calculated earnings per share

	2016	2015
	$	$
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating based earnings per share	(247,658)	(1,783)
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculated diluted earnings per share	(247,648)	(1,783)

Weighted average number of shares used as the denominator

	2016	2015
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	39,898,625	8,150,685

Information concerning the classification of securities

Options

Options on issue during the year are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2017 and 30 June 2016. These option could potentially dilute basic earnings per share in the future. Details relating to options are set out in note 21.

Share split

On 5 December 2016, the Company did a subdivision of its share capital on a 1:10 basis (share split), as approved by shareholders on the same date, which resulted in the total number of fully paid ordinary shares on issue increasing from 4,979,858 to 49,798,580 shares. The basic and diluted loss per share for the 30 June 2017 and the 30 June 2016 years have been calculated on a post-share split basis.

Directors' Declaration

In accordance with a resolution of the directors of intelliHR Holdings Limited, the directors declare that:

1. The financial statements and notes, as set out on pages 6 to 25, are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

R Bromage
Director
Brisbane, 6 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of IntelliHR Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of IntelliHR Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of IntelliHR Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of IntelliHR Holdings Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, and successful development and subsequent exploitation of the consolidated entity's software platform. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd

BDO

D P Wright
Director

Brisbane, 6 September 2017