

## APPENDIX 4D STATEMENT

(Listing rule 4.2A.3)

### IDENTITII LIMITED FINAL REPORT for the half-year ended 31 December 2019

Results for announcement to the market				
	31 December 2019	31 December 2018	% change to prior year	
	\$	\$		
1. Revenues from ordinary activities	410,486	336,297	up	22%
2. Loss from ordinary activities after tax attributable to members	(4,131,697)	(3,818,195)	up	8%

  

Dividend information	
3. Total dividend per ordinary share	No dividends were proposed for the interim period ending 31 December 2019 and 31 December 2018.
4. Record date for determining entitlements to the final dividend	Not applicable

  

5. Net tangible asset per security	31 December 2019	31 December 2018
	\$	\$
Net tangible assets	1,623,139	8,210,245
	Number of shares	Number of shares
Total number of ordinary shares of the Company	54,518,799	54,518,799
Net tangible asset backing per ordinary security	\$0.03	\$0.15

This information should be read in conjunction with the 2019 Annual Financial Report and 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 4D disclosure requirements can be found in the Director's report and the Interim Financial Report for the half-year ended 31 December 2019, which has been independently reviewed by RSM.

# **Identitii Limited**

ABN 83 603 107 044

## **Interim Financial Report**

**For the half-year ended 31 December 2019**

# Contents

**Identitii Limited**

**For the half-year ended 31 December 2019**

3	Directors' Report
5	Auditor's Independence Declaration
6	Consolidated Statement of Profit or Loss and Other Comprehensive Income
7	Consolidated Statement of Financial Position
8	Consolidated Statement of Changes in Equity
9	Consolidated Statement of Cash Flows
10	Notes to the Consolidated Financial Statements
26	Directors' Declaration
27	Independent Auditor's Review Report to the Members

# Directors Report

Identitii Limited

For the half-year ended 31 December 2019

The Directors present their report together with the financial statements of the Group comprising Identitii Limited (the Company) and its subsidiary for the half-year ended 31 December 2019 and the auditor's report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

## Directors

The Directors of the Company at any time during the half-year ended 31 December 2019 and up to the date of this report are:

Name and independence status	Period of directorship
<b>Executive</b>	
Mr. Nicholas Armstrong <i>Chief Executive Officer</i>	
<b>Non-Executive</b>	
Mr. Michael Philip Aston <i>Independent Non-Executive Director</i> <i>Chairman</i>	
Mr. Peter Lloyd <i>Independent Non-Executive Director</i>	
Mr. Martin Rogers <i>Non-Executive Director</i>	Resigned 8 October 2019
Mr. Nathan Lynch <i>Non-Executive Director</i>	Appointed 9 December 2019

## Review of operations

During the half-year ended 31 December 2019, the Group achieved the following operational milestones:

- On 30 July 2019, the Group announced the signing of a non-exclusive perpetual licence agreement with Loot Financial Services Limited (Loot) allowing the Group to use Loot's fully developed user facing mobile and web applications with no ongoing financial or non-financial commitments. Customisation of this application is currently in development.
- 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, in regulatory reporting. This is the second licence agreement under the Global Framework Agreement with HSBC.
- In September, the Group was selected by the Australian Competition and Consumer Commission (ACCC) to test the Consumer Data Right (CDR) ecosystem. The testing is progressing with the ecosystem due to launch in July 2020.

# Directors Report

Identitii Limited

For the half-year ended 31 December 2019

## Review of operations (continued)

- On 13 November 2019, the Group announced its new partnership with Symphony to facilitate the integration of its Overlay+ platform with Symphony's global financial markets collaboration platform tool. This partnership led to the successful completion of an eight week pilot with Standard Chartered Bank (SCB), allowing SCB's corporate customers to share information securely via their Symphony instance.
- In December, the Group and R3 launched a global multi-bank ISO 20022 CorDapp trial across R3's global ecosystem, with the trial due to commence in the second half of the current financial year.

In the six months to 31 December 2019, the Group continued to expand the 'pipeline' of business in development. The flexibility of the Overlay+ platform to meet customer requirements, integrating with existing infrastructure and developing opportunities, such as the R3 CorDapp trial, is key to this growth.

## 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 half-year ended 31 December 2019.

## Events subsequent to reporting date

On 3 February 2020 the Company was placed in a trading halt pending the release of an announcement regarding an equity raise. The Company was subsequently placed into voluntary suspension and continues to remain in voluntary suspension as at the date of this report, whilst it prepares a short form prospectus required to complete the equity raise.

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

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 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 half-year financial statements have been rounded to the nearest dollar.

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



Michael Aston  
Chairman

Sydney  
21 February 2020

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## **AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Identitii Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

*RSM*

**RSM AUSTRALIA PARTNERS**



**Gary Sherwood**  
Partner

Sydney, NSW  
Dated: 21 February 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Identitii Limited

For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Revenue from contracts with customers	5	410,486	336,297
Research and development tax incentive		641,474	540,746
Government grants		-	115,599
Interest income		13,763	22,123
<b>Total revenue and other income</b>		<b>1,065,723</b>	<b>1,014,765</b>
<b>Expenses</b>			
Salaries and employee benefit expenses		1,601,501	771,011
Share based payments		480,246	1,232,866
Consultants fees		712,275	326,336
Advertising and marketing		142,956	203,864
Depreciation and amortisation		61,564	20,606
General expenses		322,727	223,795
Interest expense		23,060	20,445
Legal expenses		33,218	270,717
Office expenses		120,011	84,720
Travel and accommodation		99,529	109,270
Short-term lease payments		37,948	38,370
IPO listing expenses		-	207,067
Impairment reversal on trade receivables		(2,185)	-
Research and development expenses		1,564,570	1,318,893
<b>Total expenses</b>		<b>5,197,420</b>	<b>4,827,960</b>
<b>Loss before income tax</b>		<b>(4,131,697)</b>	<b>(3,813,195)</b>
Income tax expense	6	-	5,000
<b>Loss for the period</b>		<b>(4,131,697)</b>	<b>(3,818,195)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(4,131,697)</b>	<b>(3,818,195)</b>
Basic loss per share (cents)	7	(7.58)	(8.32)
Diluted loss per share (cents)	7	(7.58)	(8.32)

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes*

# Consolidated Statement of Financial Position

Identitii Limited  
As at 31 December 2019

	Note	31 Dec 2019 \$	30 Jun 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,107,907	4,120,380
Research and development tax receivable		641,474	1,205,915
Trade receivables	5	149,575	218,358
Other receivables		105,984	73,876
Prepayments		153,468	97,160
Contract assets	5	17,474	-
<b>Total current assets</b>		<b>2,175,882</b>	<b>5,715,689</b>
<b>Non-current assets</b>			
Intangible assets		62,112	-
Property, plant and equipment	8	965,423	407,836
Other non-current assets		12,764	15,992
<b>Total non-current assets</b>		<b>1,040,299</b>	<b>423,828</b>
<b>Total assets</b>		<b>3,216,181</b>	<b>6,139,517</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		393,719	394,141
Employee provisions		477,735	322,064
Contract liabilities	5	-	34,425
Lease liabilities	9	120,339	30,253
<b>Total current liabilities</b>		<b>991,793</b>	<b>780,883</b>
<b>Non-current liabilities</b>			
Lease liabilities	9	539,137	-
<b>Total non-current liabilities</b>		<b>539,137</b>	<b>780,883</b>
<b>Total liabilities</b>		<b>1,530,930</b>	<b>780,883</b>
<b>Net assets</b>		<b>1,685,251</b>	<b>5,358,634</b>
<b>Equity</b>			
Share capital	10	16,261,495	16,261,495
Share options reserve	12	3,064,774	2,584,528
Foreign currency translation reserve		5,538	(1,729)
Retained losses		(17,646,556)	(13,485,660)
<b>Total equity</b>		<b>1,685,251</b>	<b>5,358,634</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



# Consolidated Statement of Changes in Equity

Identitii Limited

For the half-year ended 31 December 2019

	Note	Share capital	Share option reserve	Foreign currency translation reserve	Retained losses	Total equity
		\$	\$	\$	\$	\$
<b>Balance at 1 Jul 2019</b>		<b>16,261,495</b>	<b>2,584,528</b>	<b>(1,729)</b>	<b>(13,485,660)</b>	<b>5,358,634</b>
Initial application of AASB 16		-	-	-	(29,199)	(29,199)
<b>Adjusted balance at 1 Jul 2019</b>		<b>16,261,495</b>	<b>2,584,528</b>	<b>(1,729)</b>	<b>(13,514,859)</b>	<b>5,329,435</b>
Total comprehensive loss		-	-	7,267	(4,131,697)	(4,124,430)
Share options forfeited	12	-	(153,794)	-	-	(153,794)
Equity-settled share based payments	12	-	634,040	-	-	634,040
<b>Balance at 31 Dec 2019</b>		<b>16,261,495</b>	<b>3,064,774</b>	<b>5,538</b>	<b>(17,646,556)</b>	<b>1,685,251</b>
<b>Balance at 1 Jul 2018</b>		<b>3,939,439</b>	<b>1,975,966</b>	<b>-</b>	<b>(5,320,479)</b>	<b>594,926</b>
Initial application of AASB 15		-	-	-	1,487	1,487
Initial application of AASB 9		-	-	-	(3,371)	(3,371)
<b>Adjusted balance at 1 Jul 2018</b>		<b>3,939,439</b>	<b>1,975,966</b>	<b>-</b>	<b>(5,322,363)</b>	<b>593,042</b>
Total comprehensive loss		-	-	-	(3,818,195)	(3,818,195)
Issue of ordinary share capital	10	10,999,975	-	-	-	10,999,975
Costs of equity raising	10	(828,713)	-	-	-	(828,713)
Share options exercised	10	1,926,667	(1,895,397)	-	-	31,270
Share options forfeited	10	224,127	(224,127)	-	-	-
Equity-settled share based payments	12	-	1,232,866	-	-	1,232,866
<b>Balance at 31 Dec 2018</b>		<b>16,261,495</b>	<b>1,089,308</b>	<b>-</b>	<b>(9,140,558)</b>	<b>8,210,245</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

Identitii Limited

For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		432,455	185,833
Receipts from government grants and tax incentives		1,205,915	930,787
Payments to suppliers and employees		(4,517,976)	(3,145,832)
<b>Cash flow utilised in operations</b>		<b>(2,879,606)</b>	<b>(2,029,212)</b>
Interest received		14,386	16,404
Interest and other costs of finance paid		(18,209)	(20,445)
<b>Total cash flows from operating activities</b>		<b>(2,883,429)</b>	<b>(2,033,253)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(16,027)	(399,049)
Proceeds from disposal of property, plant and equipment		1,840	-
Acquisition of intangible assets		(62,112)	-
Other cash items from investing activities		-	25,855
<b>Total cash flows from investing activities</b>		<b>(76,299)</b>	<b>(373,194)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(400,000)
Proceeds from the issue of shares		-	10,999,975
Proceeds from exercise of share options		-	31,270
Transaction costs related to issue of shares		-	(1,197,755)
Lease payments		(47,300)	-
<b>Total cash flows from financing activities</b>		<b>(47,300)</b>	<b>9,433,490</b>
<b>Net (decrease)/increase in cash held</b>		<b>(3,007,028)</b>	<b>7,027,043</b>
Opening cash balance		4,120,380	259,995
Effect of movement in exchange rates		(5,445)	(2,817)
<b>Closing cash balance</b>		<b>1,107,907</b>	<b>7,284,221</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# Notes to the Consolidated Financial Statements

**Identitii Limited**

**For the half-year ended 31 December 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.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2020

## **2. Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### **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 Group will have sufficient cash resources to pay its debts as and when they become due and payable for at least 12 months from the date of signing the financial report.

The statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019 reflects a loss after income tax of \$4,131,697, and total cash outflows from operating activities of \$2,883,429. The ability of the Group to continue as a going concern is dependent on a number of factors, the most significant of which is the ability to source additional funding.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

# Notes to the Consolidated Financial Statements

**Identitii Limited**

**For the half-year ended 31 December 2019**

## **2. Basis of preparation (continued)**

The directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after considering the following:

- The Group is in the process of raising additional funds through equity investment, which is expected to raise at least \$2.0 million. A short form prospectus is expected to be lodged during February 2020.

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 31 December 2019 half-year financial report on a going concern basis is appropriate.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Company does not continue as a going concern.

## **3. Significant accounting policies**

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the Group:

#### **AASB 16 Leases**

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 3. Significant accounting policies (continued)

### (a) Impact on financial statements

#### i. Impact on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and lease liabilities, recognising the difference in retained losses. The impact on transition is summarised below.

	1 July 2019 \$
Right-of-use assets: property, plant and equipment	656,227
Lease liabilities – AASB 16	(715,679)
Lease liabilities – reversal of previous property lease incentive liability	30,253
Retained losses	29,199

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the interest rate implicit in the lease at 1 July 2019. The weighted average rate applied is 5.6%.

	1 July 2019 \$
Operating lease commitments at 30 June 2019 as disclosed under AASB 17 in the Group's consolidated financial statements	851,469
- exemption for leases with less than 12 months of lease term at transition	(24,416)
	827,053
Discounted using the interest rate implicit in the lease at 1 July 2019	715,679
Lease liabilities recognised at 1 July 2019	715,679

### (b) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 3. Significant accounting policies (continued)

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### *(c) Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised as the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentive receivables, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

## 4. 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 currently has one reportable segment, which develops and licenses enterprise software for financial services and banking institutions. The revenues and profits generated by the Group's operating segment and segment assets are summarised below:

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 4. Operating segments (continued)

### Operating segment information

For the half-year ended 31 December

	Enterprise Software Development and Licensing	
	2019	2018
	\$	\$
Sales to external customers	410,486	336,297
Other revenue	641,474	656,345
Total segment revenue	1,051,960	992,642
<i>Unallocated revenue:</i>		
Interest revenue	13,763	22,123
<b>Total revenue</b>	<b>1,065,723</b>	<b>1,014,765</b>
<b>EBITDA</b>	<b>(4,060,836)</b>	<b>(3,794,267)</b>
Depreciation and amortisation	(61,564)	(20,606)
Interest revenue	13,763	22,123
Interest expense	(23,060)	(20,445)
Loss before income tax	(4,131,697)	(3,813,195)
Income tax expense	-	(5,000)
<b>Loss for the period</b>	<b>(4,131,697)</b>	<b>(3,818,195)</b>
<b>Segment assets</b>	<b>3,216,181</b>	<b>8,879,682</b>

### Geographic information

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

	31 Dec 2019	31 Dec 2018
	\$	\$
<b>Revenue from contracts with customers</b>		
Asia	320,486	315,936
Australia	90,000	-
Other	-	20,361
	<b>410,486</b>	<b>336,297</b>

Revenue is based on the location of the customer. Refer to Note 5 for further detail on major customers, products and services.

	31 Dec 2019	30 Jun 2019
	\$	\$
<b>Location of non-current assets</b>		
Australia	1,038,382	418,684
Other	1,917	5,144
	<b>1,040,299</b>	<b>423,828</b>

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

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 5. Revenue

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

Under its contracts, the Group grants a licence to the customer for the use of its software product. The contract will specify the term of the licence, the jurisdictions in which the licence may be utilised and protocols to be followed to extend the licence beyond the agreed licence term.

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, usage 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 are to be mutually agreed in writing.

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	<p>The contracts require the Group to undertake maintenance and software enhancement activities throughout the licence period that significantly affects the intellectual property (IP) to which the customers have 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 licence fee revenue over time.</p> <p>Licence fee revenue is recognised in equal monthly instalments from the date the licence is first transferred and for the term of the contract. The licence fee is a fixed annual fee as specified in the contract.</p> <p>There remains \$453,889 in relation to contracted licence fees for which no revenue or deferred revenue has been recognised as the performance obligations have not been met as at 31 December 2019.</p>



# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 5. Revenue (continued)

Product and services	Nature and timing of satisfaction of performance obligations
Maintenance fees	<p>Maintenance (software, equipment and hosted services maintenance) is to be provided to customers on an ongoing basis from the date the licence is first transferred and throughout the term of the contract.</p> <p>The maintenance fee is a fixed annual fee as specified in the contract.</p> <p>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 maintenance fee revenue to be billed under the contract is recognised in equal monthly instalments over time from the date the licence is first transferred.</p> <p>There remains \$22,647 in relation to contracted maintenance fees for which no revenue or deferred revenue has been recognised as the performance obligations have not been met as at 31 December 2019.</p>
Usage fees	<p>Usage fee revenue is determined by the number of successful transactions (as defined in the contract) and is based on information provided to the Group by the customer. Usage fees are recognised only when the later of the usage occurs and the licence fee obligation has been satisfied. Usage fees are variable fees and may be subject to an annual cap as specified in the contract.</p> <p>The Group recognises usage fee revenue over time based on when the usage occurs.</p>
Professional services  (including setup, training and other support costs)	<p>Professional services include setup, training and support costs as well as individual customisation projects that are separate and distinct performance obligations.</p> <p>The Group recognises revenue at a point in time based on time and materials incurred in delivering the product and services to its customers 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.</p> <p>There remains \$656,275 in relation to contracted professional services for which no revenue or deferred revenue has been recognised as the performance obligations have not been met as at 31 December 2019.</p>

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.

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 5. Revenue (continued)

### Warranties, returns and refunds

The warranty period will run from the licence start date and over a specified period of time. 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, customers 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 claims during the current and prior period, no adjustment has been made to revenue recognised during the period for expected returns.

Customers may terminate or partially terminate the contract by written notice to the Group. Customers 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 notices to the Group during the current and prior period, 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.

<i>For the half-year ended 31 December</i>	<b>Enterprise Software Development and Licensing</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Nature of product and service</b>		
Licence and usage fees	87,046	96,834
Maintenance fees	8,923	-
Professional services	314,517	239,463
<b>Revenue from contracts with customers</b>	<b>410,486</b>	<b>336,297</b>

### iii. Contract balances

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

	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	149,575	218,358
Contract assets	17,474	-
Contract liabilities	-	(34,425)

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 5. Revenue (continued)

Contract liabilities primarily relate to the billing of revenue 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 \$28,477 was recognised in contract liabilities on 1 July 2019, in relation to licence fees and has been recognised as revenue for the half-year ended 31 December 2019.

An amount of \$5,948 was recognised in contract liabilities on 1 July 2019, in relation to maintenance fees and has been recognised as revenue for the half-year ended 31 December 2019.

No information has been provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, as allowed by AASB 15.

## 6. Income tax expense

The Group is in a net tax loss position and does not recognise a deferred tax asset. During the comparative period, the Group received a government grant from Accelerating Commercialisation Australia which was treated as assessable income for tax purposes. The Company also claims the Research and Development Tax Incentive and therefore is required to pay tax on the gross amount of Grant Income received, taxed at a concessional rate of 10%.

## 7. 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.

	31 Dec 2019	31 Dec 2018
	\$	\$
Loss for the period attributable to owners of the Group	(4,131,697)	(3,818,195)
<u>Weighted-average number of ordinary shares</u>		
Issued ordinary shares at 1 July	54,518,799	34,202,371
Effect of share options exercised	-	4,538,333
Effect of shares issued during the year	-	7,132,969
Weighted-average number of ordinary shares at 31 December	54,518,799	45,873,673
<b>Basic loss per share (cents)</b>	<b>(7.58)</b>	<b>(8.32)</b>

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 7. Loss per share (continued)

### 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.

	31 Dec 2019	31 Dec 2018
	\$	\$
Loss for the period attributable to owners of the Group	(4,131,697)	(3,818,195)
<u>Weighted-average number of ordinary shares</u>		
Weighted average number of ordinary shares (basic)	54,518,799	45,873,673
Effect of share options on issue <sup>(1)</sup>	-	-
Weighted-average number of ordinary shares (diluted)	54,518,799	45,873,673
<b>Diluted loss per share (cents)</b>	<b>(7.58)</b>	<b>(8.32)</b>

<sup>(1)</sup> At 31 December 2019, 7,780,902 share based payment options (31 Dec 2018: 7,900,000) and nil Series A options (31 Dec 2018: 4,485,918) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

## 8. Property, plant and equipment

### Reconciliation of carrying amount

	Right-of-use asset	Office fit out	Computer equipment	Office equipment	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance at 1 Jul 2018	-	-	31,181	4,317	35,498
Additions	-	351,024	55,270	37,618	443,912
Disposals	-	-	(2,990)	-	(2,990)
<b>Balance at 30 Jun 2019</b>	<b>-</b>	<b>351,024</b>	<b>83,461</b>	<b>41,935</b>	<b>476,420</b>
Balance at 1 Jul 2019	-	351,024	83,461	41,935	476,420
Recognition of right-of-use asset on initial application of AASB 16	774,563	-	-	-	774,563
<b>Adjusted balance at 1 Jul 2019</b>	<b>774,563</b>	<b>351,024</b>	<b>83,461</b>	<b>41,935</b>	<b>1,250,983</b>
Additions	-	-	16,027	-	16,027
Disposals	-	-	(1,879)	-	(1,879)
<b>Balance at 31 Dec 2019</b>	<b>774,563</b>	<b>351,024</b>	<b>97,609</b>	<b>41,935</b>	<b>1,265,131</b>

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 8. Property, plant and equipment (continued)

	Right-of-use asset	Office fit out	Computer equipment	Office equipment	Total
	\$	\$	\$	\$	\$
<b>Accumulated depreciation</b>					
Balance at 1 Jul 2018	-	-	2,054	808	2,862
Depreciation	-	38,765	23,662	3,958	66,385
Disposals	-	-	(663)	-	(663)
<b>Balance at 30 Jun 2019</b>	<b>-</b>	<b>38,765</b>	<b>25,053</b>	<b>4,766</b>	<b>68,584</b>
Balance at 1 Jul 2019	-	38,765	25,053	4,766	68,584
Recognition of right-of-use asset on initial application of AASB 16	118,336	-	-	-	118,336
<b>Adjusted balance at 1 Jul 2019</b>	<b>118,336</b>	<b>38,765</b>	<b>25,053</b>	<b>4,766</b>	<b>186,920</b>
Depreciation	64,893	29,412	14,847	4,204	113,356
Disposals	-	-	(568)	-	(568)
<b>Balance at 31 Dec 2019</b>	<b>183,229</b>	<b>68,177</b>	<b>39,332</b>	<b>8,970</b>	<b>299,708</b>
<b>Carrying amounts</b>					
At 1 Jul 2018	-	-	29,127	3,509	32,636
<b>Balance at 30 Jun 2019</b>	<b>-</b>	<b>312,259</b>	<b>58,408</b>	<b>37,169</b>	<b>407,836</b>
<b>Balance at 31 Dec 2019</b>	<b>591,334</b>	<b>282,847</b>	<b>58,277</b>	<b>32,965</b>	<b>965,423</b>

## 9. Lease liabilities

	31 Dec 2019	30 Jun 2019
	\$	\$
Lease liabilities - current	120,339	30,253
Lease liabilities - non current	539,137	-
	<b>659,476</b>	<b>30,253</b>

Lease liabilities are recognised on transition to AASB 16 *Leases*. Refer to Note 3 for further details.

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 10. Share capital

	Ordinary Shares			
	31 Dec 2019		30 Jun 2019	
	\$	Number of shares	\$	Number of shares
In issue at beginning of the period	16,261,495	54,518,799	3,939,439	34,202,371
Issued for cash, net of costs of equity raising	-	-	10,171,262	14,666,666
Exercise of share options for ordinary shares	-	-	2,150,794	5,649,762
<b>In issue at end of the period – authorised, fully paid and no par value</b>	<b>16,261,495</b>	<b>54,518,799</b>	<b>16,261,495</b>	<b>54,518,799</b>

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

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

### Issue of ordinary shares

No ordinary shares were issued during the half-year ended 31 December 2019.

### Nature and purpose of reserves

The share options reserve comprises the cost of the Company shares issued under the Group's share based payment plans. Refer to Note 12.

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

## 11. Related parties

### Transactions with key management personnel

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 period. 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:

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 11. Related parties (continued)

Transactions (\$)	Note	Transaction values for half-year ended 31 Dec		Balance outstanding as at 31 Dec	
		2019	2018	2019	2018
Loans to Director – Nicholas Armstrong	(i)	-	-	10,320	10,320

(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.

## 12. Share based payment arrangements

For the half-year ended 31 December 2019, the Group recognised a share based payment expense of \$480,246 in the statement of profit or loss (31 Dec 2018: \$1,232,866) under the following share based payment arrangements.

		Share options			
		31 December 2019		30 June 2019	
		\$	Number of options	\$	Number of options
Share option programme	(i)	-	-	4,996	-
Director options	(ii)	142,515	400,000	109,627	400,000
Canaccord options	(iii)	806,394	1,950,000	620,303	1,950,000
Equity incentive plan	(iv)	2,115,865	5,430,902	1,849,602	6,208,334
<b>In issue at end of the year <sup>(1)</sup></b>		<b>3,064,774</b>	<b>7,780,902</b>	<b>2,584,528</b>	<b>8,558,334</b>

<sup>(1)</sup> Further to the above, the Company had 4,485,918 Series A share options on issue as at 30 June 2019 however these options expired on 28 August 2019. These share 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. 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.

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 12. 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 \$32,888 in relation to these options has been recognised in the statement of profit or loss for the half-year ended 31 December 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 \$186,091 in relation to these options has been recognised in the statement of profit or loss for the half-year ended 31 December 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 \$261,267 in relation to these options has been recognised in the statement of profit or loss for the half-year ended 31 December 2019.



# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 12. Share based payment arrangements (continued)

The terms and conditions of share options granted under the EIP as at 31 December 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 <sup>(1)</sup>	10 years
Key management (1 August 2018)	1,250,000	10% upfront, 3 years <sup>(2)</sup>	10 years
Key management (2 October 2018 – 31 December 2019)	3,250,000	3 years <sup>(1)</sup>	4 years
Consultant (1 January 2019)	200,000	2 years <sup>(3)</sup>	4 years
Key management (18 March 2019)	200,000	4 years <sup>(4)</sup>	5 years
Share options issued	<b>6,250,000</b>		
Forfeited	(819,098)		
<b>Share options on issue as at 31 December 2019</b>	<b>5,430,902</b>		

<sup>(1)</sup> **3 year equity incentive plan** – share options vest in equal annual instalments over 3 years from grant date

<sup>(2)</sup> **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

<sup>(3)</sup> **2 year equity incentive plan** – share options vest in equal annual instalments over 2 years from grant date

<sup>(4)</sup> **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 period:

# Notes to the Consolidated Financial Statements

Identitii Limited

For the half-year ended 31 December 2019

## 12. Share based payment arrangements (continued)

	<i>Canaccord</i>	<i>Equity Incentive Plan</i>		
		CEO	Key management	Consultant
Fair value at grant date	\$0.51	\$0.52	\$0.52	\$0.49
Share price at grant date	\$0.85	\$0.75	\$0.71	\$0.70
Exercise price	\$1.03	\$0.75	\$0.75	\$0.75
Expected volatility <sup>(1)</sup>	107%	100%	109%	104%
Expected option life (years)	3	4	4	4
Expected dividends	Nil	Nil	Nil	Nil
Risk free rate <sup>(2)</sup>	2.10%	2.06%	1.99%	1.81%

<sup>(1)</sup> **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.

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

## 13. Fair value measurements

The carrying amount of the Group's financial assets and financial liabilities is a reasonable approximation of fair value.

## 14. Subsequent events

On 3 February 2020 the Company was placed in a trading halt pending the release of an announcement regarding an equity raise. The Company was subsequently placed into voluntary suspension and continues to remain in voluntary suspension as at the date of this report, whilst it prepares a short form prospectus required to complete the equity raise.

# Directors' Declaration

Identitii Limited

For the half-year ended 31 December 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 6 to 25 are in accordance with the *Corporations Act 2001*, including:
    - i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
    - ii. complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; 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.

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



Michael Aston  
*Chairman*

Sydney  
21 February 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF IDENTITII LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Identitii Limited which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Material Uncertainty Related to Going Concern*

The statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019 reflects a loss after income tax of \$4,131,697, and total cash outflows from operating activities of \$2,883,429. The ability of the Group to continue as a going concern is dependent on a number of factors, the most significant of which is the ability to source additional funding. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Identitii Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does

not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, 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 Identitii Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Identitii Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

**RSM AUSTRALIA PARTNERS**



**G N SHERWOOD**  
Partner

Sydney, NSW

Dated: 21 February 2020