

Cocoon Data Holdings Limited
and its controlled entities
ACN 127 993 300

Annual financial report
30 June 2014

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Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

The directors of Cocoon Data Holdings Limited ("the Company") present their report together with the financial statements of the Cocoon Data Holdings Group ("the Group"), being the Company and its controlled entities, for the financial year ended 30 June 2014 and the auditor's report thereon.

Directors

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

Charles Archer – Executive Chairman

Appointed: 07 March 2012

Executive Director

Charles ("Chuck") Archer is a senior executive with government and industry experience of exceptional breadth and access. Chuck culminated his 28 years of US Federal Government service as Assistant Director of the Federal Bureau of Investigation in charge of the FBI's Criminal Justice Information Services Division (CJIS), managing 3,000 employees and overseeing 600 contractors. He was appointed by the US Attorney General to SES-6, the highest civil-service rank in the US Government. Chuck has frequently testified before multiple US Senate and House committees on policy matters and issues related to advancing technology for criminal justice. He has also spoken at international conventions including the United Nations in Vienna, Interpol in Lyon, and the International Association of Chiefs of Police in New Delhi and Canberra.

Trent Telford – Director & Chief Executive Officer

Appointed: 15 October 2007

Executive Director: 8 May 2014 – Present

Trent is an experienced company director and CEO. He has held various ASX and private company directorships and management positions across a number of sectors including mining services, IT and biotechnology.

Trent started his career in large financial organizations in Europe including Bankers Trust and Deutsche Bank, before becoming an IT management consultant across Australia and Asia. He has advised blue-chip companies on government strategy, delivery, technology architecture, change management and transformation; including Vodafone, General Electric, American Express, National Australia Bank, Commonwealth Bank of Australia, Bankers Trust, Deutsche Bank, CentreLink, Australian Department of Defence and First Pacific Co. Hong Kong.

In 2001 Trent founded one of Australia's first mobile marketing technology companies with STW Group (part of WPP) and counted major television networks and global brands as customers. Trent founded Cocoon in October 2007 and acquired the concept of Secure Objects Technology. He is responsible for the vision and path that has underpinned the company's market position today. He is also a regular contributor to industry forums' and media outlets on cyber-security in Australia and the U.S.

Philip King – Director

Appointed: 26 July 2010

Non-Executive Director: 9 May 2014 – Present

Philip was appointed Chairman on 14 June 2011, and from 24 April 2012 to May 2014 was Executive Chairman. Philip resigned as Chairman on 9 May 2014 and remains on the board as a non-executive director.

Philip has been a senior executive in a diverse range of businesses for over 30 years, focusing principally on financial services, payments and IT and including consulting and project management, IT recruitment, data security and back office processing businesses.

He has been a private equity investor for 20 years and has been a founder, seed and early stage investor in a variety of successful IT and technology businesses. Philip has held senior management and consulting roles in some of the world's leading financial services institutions in the UK, Europe and South Africa. Before co-founding Asia Principal Capital Limited in Brunei and Singapore, Philip was CEO of an electronic payments business providing clearing and settlement solutions globally in selected verticals, notably travel. This is now a multi-billion dollar payment processing company and is considered to be one of the world's largest aggregators of travel payments. In 2010 he co-founded Asia Principal Capital in Australia. Philip has extensive company director experience and is currently Chairman of Licentia Group Limited

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Directors (continued)

Philip King – Director (continued)

and MyPinPad Limited, UK based authentication software services businesses. He has extensive M&A, capital raising and strategic counsel experience. Philip holds a Bachelor (Honours) degree in Economics and Accounting and a Masters degree in Computing.

Joseph Miller - Director

Appointed: 01 February 2012

Non-Executive Director

Since 2003, Joseph has been a Managing Director at Europlay Capital Advisors, LLC (“ECA”). ECA is a Los Angeles based boutique merchant bank and financial advisory firm that services and invests in companies in the technology, media, telecom, life sciences and consumer sectors. ECA’s clients and investments include such notable companies as Skype, rdio, KaZaa, Multigig and Unicorn Media. In the past, Joseph has also served on the Boards of Talon International, Multigig and has also served on both the Compensation and Audit Committees of Skype Global.

From 1998 to 2003, Joseph was a Vice President and Senior Vice President at Houlihan Lokey Howard & Zukin (“HLHZ”), a leading middle-market investment bank, where he was focused on transactions in the Entertainment and Media group, and serviced such clients as Warner Bros, Chrysalis, EMI Group and Dreamworks amongst many others.

From 1994 to 1998, Joseph served as the Vice President of Corporate Development for Alliance Communications Corporation, Canada’s leading independent producer and distributor of filmed entertainment where he was involved in several high profile transactions, including its US-based listing on NASDAQ and many acquisitions.

Joseph holds a Bachelor degree in Economics/ Business from University of California, Los Angeles (UCLA) and holds Series 7, Series 24 and Series 63 securities licenses.

Phillip Dunkelberger

Appointed: 1 August 2014

Non-Executive Director

Phillip is President and CEO of Nok Nok Labs, Inc., a leader in strong authentication solutions. Phillip has broad experience resulting from more than 34 years in technology. Prior to leading Nok Nok Labs, he served for 8 years as co-founder and CEO of PGP Corporation, a leader in the Enterprise Data Protection market, until acquired by Symantec in 2010. He has significant experience in SaaS infrastructure and enterprise software, having served as Entrepreneur-in-Residence at DCM, President and CEO of Embark, and COO of Vantive Corporation. He has also held senior management positions with Symantec, Apple Computer and Xerox Corporation. Phillip has served on several boards of directors, and currently serves on the Board of Nok Nok Labs and Ionic Security and numerous Advisory Boards. He is a founding board member of the Cyber Security Industry Alliance (CSIA) and is Chairman Emeritus of TechAmerica’s CxO Council. Phillip holds a B.A. in Political Science from Westmont College and is a member of the school’s President’s Advisory Board.

Philip Argy – Director

Appointed: 17 May 2010

Non-Executive Director

Philip has more than 40 years’ experience in technology and law disciplines and is a commercial mediator, arbitrator, negotiator and strategist as well as being on the boards of a number of public companies. He is a past President of the Australian Computer Society and was Chairman of the eCommerce Committee of the Law Council of Australia for more than 10 years. As a member of the Electronic Commerce Expert Group he advised Australia’s Attorney-General on the establishment of the Electronic Transactions Act and he was a lawyer at Mallesons Stephen Jaques for nearly 32 years.

Philip contributes a wealth of experience and expertise to the Company in fields as diverse as intellectual property, trade practices, competition law, digital certificates, computer programming, ethics, business process re-engineering, corporate governance and application usability optimisation. Philip has both Commerce and Law degrees from the University of NSW with majors in Accounting, Finance and Information Systems.

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Directors (continued)

Kevin Bermeister - Director

Appointed: 24 April 2012

Non-Executive Director

Kevin is a technologist, real estate entrepreneur, investor and an active author of opinion editorials for the Huffington Post. He is a benefactor and supporter of numerous charitable organisations and was recently awarded the Yeshiva Center Leadership in Philanthropy Award and has received numerous similar awards in the past.

Kevin is currently Chairman and CEO of Brilliant Digital Entertainment, Inc., and its subsidiary, Altnet, Inc. He has developed substantial businesses in the computing, multimedia and Internet industries. In 1982 he established Ozisoft, one of the first interactive multimedia companies and Australia's largest video games distributor. In 1994 he established the \$70 million interactive Sega World Sydney theme park operated through a joint venture which included Sega Enterprises Japan, Mitsubishi Corp. and Mitsui Corp. In 1996, Kevin founded Brilliant Digital Entertainment Inc. and developed various Internet interests including a transaction with Joltid Limited to establish Altnet Inc. a company focused on peer to peer network solutions for content providers, consumers, and enterprise. Altnet became a distributor of the KaZaa music service, distributing music via subscription pursuant to agreements with the major record labels and independent labels.

Kevin sits on the boards of various companies and has been a founding investor in several successful startups including Skype.

Martin Dalgleish – Alternate Director for Mr Philip King

Appointed: 15 May 2014

Resigned: 21 July 2014

Non-Executive Director

Martin Dalgleish is an experienced company director and senior executive in the media, telco and technology sector with more than thirty years' experience. His career has traversed leading brands including PBL, Optus, Dixons, Rank, PepsiCo, and IBM.

While Managing Director of Optus Consumer Division (CMM) 2001 to 2004, he led significant transformational change in home telephony, ISP services and Pay Television while achieving substantial financial performance.

Martin is a partner in the Australian technology accelerator Asia Principal Capital, a non-executive director of Ratesetter Australia Pty Ltd, a non-executive director of Mediaworks Holdings (NZ), Chairman of Favourit Global Pty Ltd, and has private investment interests in a number of high-profile emerging technology companies.

Martin has a Bachelor of Business (majoring in Information Technology) from the Western Australian Institute of Technology (now Curtin University) and an MBA from Cranfield Management School (UK).

Peter Janke – Director & Former Chief Executive Officer

Appointed: 24 April 2012

Resigned: 27 September 2013

Executive Director

Peter has some 40 years of management experience, having held various leadership roles within US aerospace companies, system integrators, resellers and small businesses. He is a well-known and respected executive in the Federal IT community whose career successes at companies such as Raytheon, CSC, Unisys, and others have been built upon a platform of honesty, efficiency, and focus on the fundamentals of each business. His background includes senior business development roles, operating executive experience at the C-level, board and advisory work, and financial management. Peter serves on the Government Advisory Board of TechAmerica as well as others.

Peter holds degrees from the University of Wisconsin and Georgetown University and has completed Executive courses at the Harvard Business School.

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Company Secretary

Nicholas Chiarelli

Nicholas was appointed Company Secretary on 1 December 2010.

Nicholas has over 12 years' experience in the finance industry, covering a broad range of commercial and chartered roles. Prior to joining Cocoon, Nicholas worked in business services at Crowe Horwath Sydney (previously WHK Horwath) where he managed the taxation and compliance affairs of, and advised to, a wide range of SME's and high net wealth individual clients.

Prior to this Nicholas resided in London working in private equity and financial services with a variety of reporting roles (financial/regulatory, investor related and valuations) at 3i Group, Bank of New York Mellon and Man Investments.

Nicholas is a member of the Australian Institute of Chartered Accountants, and holds a Bachelor of Business (Accounting Major, Management Studies Sub Major, and Tourism Management Sub-Major) from the University of Technology, Sydney.

Directors meetings

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

Director	Board Meetings	
	A	B
Charles Archer	6	6
Trent Telford	6	6
Philip King	6	6
Joseph Miller	6	6
Philip Argy	5	6
Kevin Bermeister	3	6
Martin Dagleish	-	-
Peter Janke	1	1

A – Number of meetings attended

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

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Principal activities and review of operations

During the financial year the principal activity of the Group was the development and commercialisation of intellectual property primarily in the field of data security technology. The Group recorded a loss after tax of \$9,769,356 for the year to 30 June 2014 (2013: \$8,387,076). Included within this loss are fair value movements totalling \$3,512,910 representing the fair value impact to the profit and loss arising from capital raising instruments and share options and loan shares issued during the year. The loss after tax excluding these non-cash items is \$6,256,446.

During the year the Group earned technology related revenues of \$439,591 (2013: \$177,351).

As at 30 June 2014 the Group had a net asset deficiency of \$8,938,688 (2013: \$2,938,974 deficiency). Contributing to this was \$10,878,062 of converting notes which have been classified as current liabilities in accordance with the requirements of AASB 132 *Financial Instruments: Presentation*.

During the year the Group continued to invest in its technology and development capability. This resulted in Version 2.0 of the Covata Platform; a new underlying technology framework designed to deliver reliability and scale into the future. This is a newly engineered core layer of code that enables rapid deployment of new products and technology services for the dynamic and evolving 'barrier-less' internet where the Board believes that the Group's patented security approach sets a new paradigm.

During the year ended 30 June 2014 the Group spent significant resources developing Covata Safe Share ('Safe Share'), a product that leverages the patented Secure Objects Technology and Version 2.0 of the Covata Platform. It provides the ability for users to share data securely across unsecure networks and inside and outside an organisation. Safe Share is an enterprise data security and sharing product with applications on Windows, Apple iOS and through a cloud portal and is targeted at large Managed Service Providers (MSP's) and Telecommunications Providers (Telco's) that wish to provide trusted, secure file sharing and collaboration tools to their enterprise customers in the cloud.

Safe Share has been purposefully built with the needs of enterprise users in mind where policy, security and data-governance are at the core of any file or data sharing. Safe Share has end-user features similar to DropBox or Box.net but goes substantially further than these consumer products. Safe Share has the Covata Platform 'baked-in' – leveraging single-file encryption tied to user-identity and policy, with audit and compliance. The underlying security has been identified as a unique value proposition to the enterprise and government market. It takes the Product into a global market of MSP's and Telco's where there is little competition – as opposed to the consumer market where competition is fierce and security features are of a secondary concern to end users. At the date of this report the Group is in discussions with a number of large MSP's and Telco's for the deployment of Safe Share.

During the period since 1 July 2013 there have been a number of changes to the Board and to senior management.

At 27 September 2013 following an extensive review of the sales and marketing strategy and the development capability and future product thinking, the Board accepted the resignation of Peter Janke from the position of CEO and from the Boards of Cocoon Data Holdings Limited and its subsidiaries. Charles Archer was appointed to the position of Interim CEO from 27 September 2013.

On 8 May 2014 Philip King resigned from the position of Chairman so that he could focus on other business and personal commitments. Philip retains a Board seat as a non-executive director and the Board would like to thank Philip for his significant contribution to the Group over a number of years and in a number of different capacities. Trent Telford was subsequently appointed to the role of Acting Chairman on 8 May 2014.

On 1 August 2014 the Board appointed Trent Telford to the position of CEO and, in concert, accepted his resignation as Acting Chairman. At the same date Charles Archer ceased to act as Interim CEO and was appointed Chairman.

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Principal activities and review of operations (continued)

Trent is the Founder of the Group and was CEO from October 2007 – August 2011. The Board is unanimous in its belief that now is the right time for Trent to resume leadership and welcomes him back to the role. Since taking over as CEO Trent has embarked upon a full review of the technology, capital structure, operations, organisation structure, and critically, the strategic direction of the Group. Of major significance, Trent has overseen the successful merger, by way of reverse takeover, with Prime Minerals Limited (ASX:PIM). This transaction completed on 30 October 2014 and at the date of this report it is intended that the newly named Covata Limited (ASX:COV), previously Prime Minerals Limited, will re-list on the ASX on 6 November 2014. Further highlights of the merger with Prime Minerals Limited are detailed below.

At 1 August 2014 the Board also appointed Phillip Dunkelberger to the position of non-executive director. Phillip is President and CEO of Nok Nok Labs, Inc., a leader in strong authentication solutions. Phillip has broad experience resulting from more than 34 years in technology. Prior to leading Nok Nok Labs, he served for 8 years as co-founder and CEO of PGP Corporation, a leader in the Enterprise Data Protection market, until acquired by Symantec in 2010. He has significant experience in SaaS infrastructure and enterprise software, having served as Entrepreneur-in-Residence at Doll Capital Management, President and CEO of Embark, and COO of Vantive Corporation. He has also held senior management positions with Symantec, Apple Computer and Xerox Corporation. Phillip has served on several boards of directors, and currently serves on the Board of Nok Nok Labs and Ionic Security and numerous Advisory Boards. He is a founding board member of the Cyber Security Industry Alliance (CSIA) and is Chairman Emeritus of TechAmerica's CxO Council. Phillip holds a B.A. in Political Science from Westmont College and is a member of the school's President's Advisory Board. The Board welcomes Phillip to the Group and looks forward to leveraging his significant knowledge and experience in the data security space.

In April 2014 the Group entered into a reseller agreement with NSC Global Services Limited (NSC). This agreement appoints NSC as the exclusive reseller of sub-licenses in Europe, the Middle East and Africa for all products and services that the Group currently offers and will offer in the future. The term is for an initial period of five years and exclusivity is dependent on NSC achieving annual sales targets. The Group has hired and placed employees within NSC's new group headquarters in central London and has an exciting pipeline of opportunities underway.

During the year the Group continued to pursue its IP strategy and on 12 August 2014 the Group's US Patent application titled System and Method for Securing Data was granted. This patent has a priority date of 21 December 2007 and documents the core business processes of the Covata Platform and its approach to authentication, authorisation, encryption and rights management. This business process patent of combining authentication (who you are) with a centralised encryption service (one to one key to file relationship) with policy and audit is relatively broad and flexible in its coverage. As the technology world moves more towards a data-centric view of security, as opposed to a straight network security focus, this patent may have substantial value.

The Group also had an Australian Innovation Patent titled Secure Communication Method issued on 5 September 2014. This innovation patent relates to the unique way that allows external, ad hoc, users to authenticate and access secure files whilst maintaining security, auditability and usability.

On 20 May 2014, Cocoon Data Holdings Limited (Cocoon) and Prime Minerals Limited (ASX:PIM) announced their intention to merge by way of an off-market takeover bid by PIM for all Cocoon shares by offering PIM shares as consideration. The transaction valued the Group at between \$50,000,000 and \$57,000,000, depending if one or more of three milestones is achieved within three years from merger completion.

The Board unanimously recommended to shareholders that they accept the PIM offer because of the attractiveness of the offer, access to liquidity for existing shareholders and the improved access to capital that being an ASX listed entity will provide. Globally, the appetite for cyber and data security investment is at an all-time high and the returns achieved by many have substantially exceeded market returns. This should not be surprising given the urgent need to protect data. It's intended that the funds raised under the capital raising be used to assist our growth strategy and to ensure that the Group is well placed to capitalise on the current worldwide demand for data security.

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Principal activities and review of operations (continued)

At 30 October 2014 the merger between PIM and the Company completed. Highlights from the transaction are:

- >94% of the Company's shareholders accepted the takeover offer.
- Takeover bid valued shares in the Company at between \$0.13094 and \$0.15, depending if one or more of three milestones is achieved within three years from merger completion.
- Prime Minerals Limited (ASX:PIM) changed its name to Covata Limited (ASX:COV).
- PIM/COV changed the nature and scale of its activities from a uranium mining exploration company to one focused in the information technology security industry.
- \$15,000,000 capital was raised (excluding capital raising costs) as part of the merger. Strong investor demand meant that the capital raising was oversubscribed.
- Conversion of all outstanding Cocoon convertible notes and warrants prior to merger completion.
- Existing PIM directors resigned at 30 October 2014 and Charles Archer, Trent Telford, Philip King, Joe Miller and Phillip Dunkelberger have been appointed to the Board of Covata Limited.
- COV expected ASX re-listing date 6 November 2014.
- COV expected market capitalisation at re-listing >\$76million (based on a re-listing price of 20c per share)

The Board and Management are positive about the year ahead and beyond, whilst being conscious of the increased obligations imposed upon the Group by being ASX listed. There is a genuine focus on delivering value-creating events in the next twelve months, including scalable or 'multiplier effect' contracts. Balanced with this is the need to continue to deliver innovation and growth strategies for the years beyond and the Group looks forward to delivering this for shareholders.

Significant changes in the state of affairs

In the opinion of the directors, there have been no significant changes in the state of affairs of the Group during the financial year other than those disclosed elsewhere in the financial report or notes thereto.

Environmental regulation

The Group's operations are not subject to significant environmental regulations under both the Commonwealth and State legislation in relation to its activities.

Dividends

No dividends were paid or declared by the Company to members since the end of the previous financial year (2013: nil).

Dividends declared after end of year

There have been no dividends declared subsequent to year end.

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Options

Options granted to directors and executives of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company and issued shares under a newly established Loan Funded Employee Share Plan ("Share Plan") to the following directors and to the following of the five most highly remunerated executives of the Company as part of their remuneration.

	Number of options granted/Share Plan issues during the year	Number of options granted/Share Plan issues post year end
Directors		
Charles Archer	100,000	-
Trent Telford	2,000,000	13,333,333
Philip King	1,300,000	-
Philip Argy	1,000,000	-
Philip Dunkelberger	-	6,666,667
Executives		
Joachim Winkler	150,000	-
Nicholas Chiarelli	1,250,000	-
	5,800,000	20,000,000

Unissued shares under options

At the date of this report the Group has no unissued shares under option.

As part of the merger with Prime Minerals Limited all outstanding options in the Company (58,505,000) have been cancelled as at 30 October 2014 and have been replaced with an equivalent number of Covata Limited options.

No options were exercised during or since the end of the financial year.

Events subsequent to reporting date

Since 30 June 2014, 20,000,000 share options have been issued to US based directors for nil consideration. These are exercisable for ordinary shares at \$0.15 per share and have a ten year term.

On 25 July 2014 converting notes with a carrying value of \$9,994,320 and classed as current loans and borrowings at 30 June 2014 converted into Ordinary shares of the Company. On 4 August 2014 a further \$883,742 of converting notes classed as current loans and borrowings at 30 June 2014 converted into Ordinary shares of the Company. If these converting notes had converted at 30 June 2014 the Group would have net assets of \$1,939,374 rather than a net asset deficiency of \$8,938,688. A further \$2,866,667 of converting notes that had been classed as equity at 30 June 2014 also converted into Ordinary shares of the Company on 4 August 2014.

On 31 October 2014, Prime Minerals Limited (PIM) completed a merger with the Company through an off-market takeover bid by PIM for all of the shares in the Company. The offer was accepted by over 94% of all shareholders in the Company, whereby shareholders will receive, on a post consolidation basis, 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 share held in the Company. On 31 October 2014 PIM changed its name to Covata Limited and the Company has become a wholly owned subsidiary of Covata Limited. Upon completion of the transaction certain directors of the Company will be appointed to and control the board of Covata Limited. At the date of this report conditional consent to re-list has been provided by the ASX and it is intended that the newly named company will re-list at 6 November 2014. One of the essential takeover bid conditions was the successful capital raising of a minimum \$2,500,000 and a maximum \$15,000,000. The capital raising was oversubscribed and closed for \$15,000,000 (excluding capital raising costs). As part of the merger all outstanding options in the Company (58,505,000) have been cancelled and have been replaced with an equivalent number of Covata Limited options.

The financial effect of these events has not been included in the financial statements as at 30 June 2014.

Cocoon Data Holdings Limited and its controlled entities

Directors' report

For the year ended 30 June 2014

Events subsequent to reporting date (continued)

In October 2014 the Company received cash funds of \$2,342,935 from the ATO for research & development tax concessions relating to the 30 June 2014 financial year. The financial effect of this event has been included in the financial statements as at 30 June 2014 as other income and a receivable (Note 9).

On 1 August 2014 the Board accepted the resignation of Charles Archer from the position of CEO and appointed Trent Telford to the position of CEO effective 1 August 2014. On 1 August 2014 the Board also accepted the resignation of Trent Telford from the position of Chairman and appointed Charles Archer to the position of Chairman effective 1 August 2014.

On 12 August 2014 the Group's US Patent application titled System and Method for Securing Data was granted. This patent has a priority date of 21 Dec 2007 and documents the core business processes of the Covata Platform and our approach to authentication, authorization, encryption and rights management.

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

Likely developments

There are no material likely developments for the Group to disclose outside of normal business operations at the date of this report, other than those disclosed elsewhere in the Directors' report.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the directors and the company secretary for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has not entered into an agreement to indemnify the auditors of the Company.

The disclosure of the nature of the insurance cover and the amount of the premiums involved is prohibited by the contract.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 12 and forms part of the directors' report for the financial year ended 30 June 2014.

This report is made in accordance with a resolution of the directors:



Charles Archer
Chairman

Dated at Sydney this 31st day of October 2014.



**Lead Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001 to the Directors of Cocoon Data Holdings Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014, there have been:

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

KPMG

KPMG

Adam Twemlow
Partner
Bundall

31 October 2014

Cocoon Data Holdings Limited and its controlled entities

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	<i>Note</i>	2014	2013
Revenue – technology related products and services		439,591	177,351
Research & development tax concession		2,342,935	2,402,344
Other income		25,688	31,000
Communication expenses		(187,897)	(197,746)
Consultancy fees expense		(264,321)	(228,560)
Depreciation expense	12	(319,803)	(386,936)
Employee benefit expense	16	(7,666,005)	(7,964,882)
Foreign currency exchange expense		(317)	(579)
Patent expense		(19,054)	(166,589)
Legal fees expense		(175,182)	(131,479)
Marketing and promotion expense		(283,109)	(45,141)
Travel and accommodation expense		(284,448)	(207,340)
Office and administration expenses		(586,897)	(503,248)
Professional fees expense		(382,659)	(253,340)
Other direct research and development project expenses		(20,103)	(84,408)
Fair value of warrants issued – consultancy fees		-	(183,448)
Other expenses		(177,364)	(193,166)
Results from operating activities		(7,558,945)	(7,936,167)
Finance income	11	84,239	155,459
Finance costs	11	(2,294,650)	(606,368)
Net finance costs		(2,210,411)	(450,909)
Loss before income tax		(9,769,356)	(8,387,076)
Income tax expense	6	-	-
Loss for the year		(9,769,356)	(8,387,076)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(31,016)	10,730
Total other comprehensive income/(loss)		(31,016)	10,730
Total comprehensive loss for the year		(9,800,372)	(8,376,346)

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

Cocoon Data Holdings Limited and its controlled entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Share Capital	Equity Conversion Reserve	Foreign Currency Translation Reserve	Share Options Reserve	Warrants Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2012		11,760,772	-	11,308	524,905	4,847,981	(19,935,593)	(2,790,627)
Total comprehensive income for the year								
Loss for the year		-	-	-	-	-	(8,387,076)	(8,387,076)
Total other comprehensive income		-	-	10,730	-	-	-	10,730
Total comprehensive income/(loss)		-	-	10,730	-	-	(8,387,076)	(8,376,346)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Ordinary shares issued	17	3,666,667	-	-	-	-	-	3,571,250
Convertible notes issued	15	-	2,866,667	-	-	-	-	2,866,667
Share based payments – ordinary shares	17	16,606	-	-	-	-	-	16,606
Share based payments – share options & warrants	21	-	-	-	1,755,945	529,176	-	2,285,121
Share options lapsed	21	-	-	-	(199,159)	-	199,159	-
Capital raising costs	17	(607,062)	-	-	-	-	-	(607,062)
Total contributions by and distributions to owners		3,076,211	2,866,667	-	1,556,786	529,176	199,159	8,227,999
Balance at 30 June 2013		14,836,983	2,866,667	22,038	2,081,691	5,377,157	(28,123,510)	(2,938,974)
Balance at 1 July 2013		14,836,983	2,866,667	22,038	2,081,691	5,377,157	(28,123,510)	(2,938,974)
Total comprehensive income for the year								
Loss for the year		-	-	-	-	-	(9,769,356)	(9,769,356)
Total other comprehensive income/(loss)		-	-	(31,016)	-	-	-	(31,016)
Total comprehensive loss		-	-	(31,016)	-	-	(9,769,356)	(9,800,372)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Convertible notes issued	17	-	2,530,000	-	-	-	(30,000)	2,500,000
Share based payments – share options	21	-	-	-	479,700	-	-	479,700
Share based payments – loan shares	21	-	-	-	820,958	-	-	820,958
Share options lapsed	21	-	-	-	(1,118,217)	-	1,118,217	-
Total contributions by and distributions to owners		-	2,530,000	-	182,441	-	1,088,217	3,800,658
Balance at 30 June 2014		14,836,983	5,396,667	(8,978)	2,264,132	5,377,157	(36,804,649)	(8,938,688)

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

Cocoon Data Holdings Limited and its controlled entities

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014	2013
Assets			
Cash and cash equivalents	7	2,158,047	5,995,421
Trade and other receivables	9	2,579,399	2,719,247
Prepayments		-	5,329
Other assets	10	106,617	10,000
Total current assets		4,844,063	8,729,997
Other assets	10	68,758	175,116
Property, plant and equipment	12	177,968	519,413
Intangible assets	13	-	-
Total non-current assets		246,726	694,529
Total assets		5,090,788	9,424,526
Liabilities			
Trade and other payables	14	909,886	1,214,948
Employee benefits	16	133,034	187,575
Loans and borrowings	15	10,878,062	5,089,740
Total current liabilities		11,920,982	6,492,263
Trade and other payables	14	2,108,494	2,375,160
Loans and borrowings	15	-	3,496,077
Total non-current liabilities		2,108,494	5,871,237
Total liabilities		14,029,476	12,363,500
Net liabilities		(8,938,688)	(2,938,974)
Equity			
Share capital	17	14,836,983	14,836,983
Reserves		13,028,978	10,347,553
Accumulated losses		(36,804,649)	(28,123,510)
Total equity/(deficiency)		(8,938,688)	(2,938,974)

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

Cocoon Data Holdings Limited and its controlled entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014	2013
Cash flows used in operating activities			
Cash receipts from customers		171,848	2,520,745
Cash paid to suppliers and employees		(8,902,939)	(7,342,615)
Cash used in operations		(8,731,091)	(4,821,870)
R&D rebates received		2,402,344	1,401,747
Net cash used in operating activities	8	(6,328,747)	(3,420,123)
Cash flows used in investing activities			
Interest received		84,239	155,459
Refund of deposits		9,741	-
Payment for deposits		-	(69,911)
Proceeds from disposal of property, plant and equipment		3,475	-
Acquisition of property, plant and equipment		(3,677)	(324,025)
Net cash from/(used in) investing activities		93,779	(238,477)
Cash flows from financing activities			
Proceeds from issue of convertible notes		2,400,000	3,666,667
Proceeds from the issue of share capital		-	3,666,667
Proceeds from loans received		-	-
Repayment of borrowings		-	(20,000)
Interest paid		(2,405)	(5,517)
Payment of converting note issue costs		-	(168,360)
Payment of share issue costs		-	(200,000)
Net cash from financing activities		2,397,595	6,939,457
Net increase/(decrease) in cash and cash equivalents		(3,397,374)	3,280,857
Cash and cash equivalents at 1 July		5,995,421	2,714,564
Cash and cash equivalents at 30 June	7	2,158,047	5,995,421

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

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

1. Reporting entity

Cocoon Data Holdings Limited ("the Company") is a company domiciled in Australia. The address of the Company's registered office is Level 4, 156 Clarence Street, Sydney, New South Wales. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is a for-profit entity primarily involved in the development and commercialisation of intellectual property primarily in the field of data security technology.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the directors on 31 October 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified at fair value through profit or loss which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 2 (e) – Going concern
- Note 6 – Recognition of deferred tax assets
- Note 13 – Intangible assets
- Note 15 – Loans and borrowings
- Note 17 – Capital and reserves
- Note 18 – Financial instruments
- Note 21 – Share based payments

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

2. Basis of preparation (continued)

(e) Going concern

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

The Group is in the research, development and commercialisation stage of its data security technology. During the year ended 30 June 2014 the Group incurred a loss after tax of \$9,769,356, including revenue of \$439,591 and incurred cash outflows from operating activities of \$6,328,747 for the year.

At 30 June 2014, the Group had a deficiency in net current assets of \$7,076,919 and a deficiency in net assets of \$8,938,688. Contributing to the net asset deficiency at 30 June 2014 was \$10,878,062 of converting notes that were classed as current loans and borrowings. At the date of this report all of these converting notes have converted into ordinary shares in the Company.

On 31 October 2014 the Company completed a merger with ASX listed entity Prime Minerals Limited (ASX:PIM). At this date PIM changed its name to Covata Limited (ASX:COV) and the Company became a wholly owned subsidiary of COV. As part of the merger COV raised \$15,000,000 of investment funds (excluding capital raising costs). The impact of this has not been reflected in the 30 June 2014 financial statements of the Company.

As outlined in Note 24, subsequent to year-end the Company received cash funds of \$2,342,935 from the ATO for research & development tax concessions relating to the 30 June 2014 financial year which was included as a receivable at 30 June 2014.

Management have prepared cash flow projections to 31 October 2015 that support the Group's ability to continue as a going concern. The achievement of these cash flow projections is dependent upon the Group maintaining expenditure levels in line with available funding and the parent entity Covata Limited providing financial support.

The directors of the Company consider that the cash flow projections and assumptions will be achieved, and in the longer term, significant revenues could be generated from the commercialisation of intellectual property, and accordingly, the Group will be able to continue as a going concern.

In the event that the Group cannot continue as a going concern, it may not realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial statements.

(f) Changes in accounting policies

The Group has adopted the following standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

(i) *AASB 10 Consolidated Financial Statements (2011)*

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has the power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires that the Group consolidate investees that it controls on the basis of de facto circumstances.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

(f) Changes in accounting policies (continued)

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013 and have concluded that no adjustments to the financial statements are required

(ii) *AASB 11 Joint Arrangements (2011)*

As a result of AASB 11, the Group has changed its accounting policy for its interest in joint arrangements. Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

The Group has assessed the impact of this change and has concluded that there is no impact on the financial statements.

(iii) *AASB 12 Disclosure of Interests in Other Entities (2011)*

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group has assessed the disclosure requirements under this standard and have concluded that no changes to current disclosures are required.

(iv) *AASB 13 Fair Value Measurement*

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, however, this has not had a significant impact on the measurement of the Group's assets and liabilities.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies

Except for the changes in accounting policies disclosed in Note 2(f) the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(b) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

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

Non-derivative financial liabilities comprise loans and borrowings, debt securities issued and trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(v) Convertible notes classified at fair value through profit or loss

When a convertible note is identified to contain an embedded derivative, the whole contract is measured and accounted for at fair value through profit or loss, unless the derivative is able to be measured reliably, in which case it is separated from the host contract and accounted for separately at fair value through profit or loss. Any gains or losses arising on the instrument upon fair valuing at inception are not immediately recognised as a gain or loss in profit or loss, but are instead deferred and recognised as a gain or loss in profit or loss on a systematic basis over the life of the instrument. Any subsequent movement in the fair value of financial instruments that are carried at fair value through profit or loss are recognised directly in profit or loss within finance expenses.

Transaction costs of financial liabilities that are carried at fair value through profit or loss are expensed in profit or loss.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(c) Foreign currency transactions

(i) Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Group at an exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the investment in a foreign operation.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency at the foreign exchange rate ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on either a straight line or reducing balance basis depending on the type of asset over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- | | |
|----------------------------|--------------|
| • Office equipment | 3 – 10 years |
| • Computer equipment | 2 – 5 years |
| • Communications equipment | 2 – 5 years |
| • Software | 3 years |

Leasehold improvements are depreciated over the life of the lease. The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year end and adjusted if appropriate.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(e) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Intangible assets with indefinite useful lives are systematically tested annually for impairment.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(f) Impairment

(i) Non-derivative Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Finance costs comprise interest and transaction expenses on borrowings, including convertible notes. Borrowing costs are recognised in profit or loss using the effective interest method.

(g) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest and transaction expenses on borrowings, including convertible notes. Borrowing costs that are not directly attributable to acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Movements in the fair value of financial liabilities classified as at fair value through profit or loss are also classified within finance costs.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(h) Employee benefits

(i) Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Group's obligations.

(ii) Short-term service benefits

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

(iii) Share-based payment transactions

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

(i) Revenue

(i) Services

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and discounts. Revenue is derived from various products and services which are accounted for differently. The method used is selected on the basis of that which best represents the nature of the contract.

Revenue from licence sales of software products is recognised when all of the risks and rewards have been transferred to the customer, usually only after the delivery, installation and client acceptance of the products.

Revenue derived from support activities is recognised on a straight-line basis over the support period.

Revenue relating to a contractual arrangement to develop customised software is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Revenue derived through licensing agreements is recognised on a straight-line basis over the licensing period. At balance date unearned revenue is disclosed as a liability.

(ii) Government grants

An unconditional government grant is recognised in profit or loss as other income when there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant.

(j) Operating lease payments

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

(k) Share based payments

Equity settled share based payment transactions are measured by valuing the goods or services received. If the fair value of the goods or services received cannot be reliably estimated, the share based payment transaction is

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (continued)

Share based payments (continued)

recorded at the fair value of shares issued and is recognised as an expense with a corresponding increase in equity measured by reference to the value of the equity instruments granted.

(I) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group from 1 July 2009. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Cocoon Data Holdings Limited.

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities.

The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(b) Non-derivative financial liabilities

Fair value is measured at initial recognition and, for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(c) Share-based payment transactions

The fair value of equity settled share based payment transactions is determined with reference to recent share issues for cash consideration in arm's length transactions.

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instrument (based on historic experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(d) Converting notes measured at fair value through profit or loss

The fair value of those converting notes that are measured at fair value through profit or loss have been measured using a Monte Carlo Simulation method. Measurement inputs include the outstanding loan balance at measurement date, the share price at measurement date, the conversion price, expected volatility of the company share price over the life of the instrument, expected dividend yield, the expected life of the instrument and the risk-free interest rate.

5. Auditors' remuneration

	2014 \$	2013 \$
Audit and other services		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit of financial report	42,000	50,000
Tax and accounting services	30,000	26,200
Due diligence services	57,100	-
	129,100	76,200

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

6. Income tax expense

	2014 \$	2013 \$
Current tax expense/(benefit)		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total income tax benefit	-	-
Numerical reconciliation between tax expense and pre-tax net profit		
Loss before tax	(9,769,356)	(8,387,076)
Prima facie income tax benefit at the Australian tax rate of 30% (2013: 30%)	(2,930,807)	(2,516,123)
Increase/(decrease) in income tax expense due to:		
Permanent differences	2,989,908	1,715,744
Effect of tax losses and temporary differences not taken to account	(136,227)	796,129
Temporary differences through equity	(3,600)	15,702
Effect of unrecognised tax losses carried forward now utilised	-	(11,452)
Current year losses not recognised	80,726	-
Income tax benefit on pre-tax net profit	2,930,807	2,516,123

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2014	2013
Tax losses and temporary differences	2,488,689	2,429,588
	2,488,689	2,429,588

Deferred tax assets have not been recognised in respect of these items. Deferred tax assets will be recognised when there is greater certainty of future taxable profits being earned by the Group against which the Group can utilise the benefits there-from.

7. Cash and cash equivalents

	2014	2013
Cash at bank	2,158,047	5,995,421

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

8. Reconciliation of cash flows from operating activities

Cash flows from operating activities	2014	2013
Loss for the year	(9,769,356)	(8,387,076)
<i>Adjustments for:</i>		
Depreciation	319,803	386,936
Share based payments	1,300,659	1,939,393
Net finance costs	2,210,411	450,909
Provision for doubtful debts	(2,733)	-
	(5,941,218)	(5,609,838)
Decrease/(increase) in trade and other receivables	233,409	(825,043)
Decrease/(increase) in prepayments	5,329	(218)
Increase/(decrease) in trade and other payables	(571,727)	2,949,491
Increase/(decrease) in provisions and employee benefits	(54,540)	65,485
Net cash used in operating activities	(6,328,747)	(3,420,123)

9. Trade and other receivables

Current	2014	2013
R&D rebate receivable	2,342,935	2,402,344
Trade receivables	37,688	269,967
Other receivable	144,721	-
GST receivable	54,055	46,936
	2,579,399	2,719,247

The Group's exposure to credit risk and impairment losses to trade and other receivables are disclosed in Note 18.

10. Other assets

Current	2014	2013
Term deposits	10,000	10,000
Rental bonds	96,617	-
	106,617	10,000
Non-Current		
Rental bonds	53,549	159,907
Domain names	15,209	15,209
	68,758	175,116

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

11. Finance income and finance costs

	2014	2013
Finance income		
Interest income on cash held	84,239	155,459
	84,239	155,459
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(2,405)	(5,517)
Net change in fair value of financial liabilities at fair value through profit or loss	(2,212,251)	(490,076)
Interest expense on interest bearing converting note financial liabilities	(79,994)	(3,748)
Transaction costs incurred on issue of liability component of converting notes	-	(107,027)
	(2,294,650)	(606,368)
Net finance costs recognised in profit or loss	(2,210,411)	(450,909)

12. Property, plant and equipment

	Office equipment	Computer equipment	Communication equipment	Leasehold Improvements	Software	Total
Cost						
Balance at 1 July 2012	64,056	431,678	7,917	337,990	-	841,641
Additions	37,668	225,454	2,983	73,273	11,983	351,361
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	101,724	657,132	10,900	411,263	11,983	1,193,002
Balance at 1 July 2013	101,724	657,132	10,900	411,263	11,983	1,193,002
Additions	-	3,677	-	-	-	3,677
Disposals	-	(213,375)	-	-	-	(213,375)
Balance at 30 June 2014	101,724	447,433	10,900	411,263	11,983	983,303

	Office equipment	Computer equipment	Communication equipment	Leasehold Improvements	Software	Total
Depreciation and impairment losses						
Balance at 1 July 2012	19,782	205,261	4,799	56,811	-	286,653
Depreciation charge for the year	14,225	213,712	3,110	153,434	2,455	386,936
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	34,007	418,973	7,909	210,245	2,455	673,589
Balance at 1 July 2013	34,007	418,973	7,909	210,245	2,455	673,589
Depreciation charge for the year	14,871	138,520	1,490	161,103	3,819	319,803
Disposals	-	(188,058)	-	-	-	(188,058)
Balance at 30 June 2014	48,878	369,436	9,399	371,348	6,274	805,335

Carrying amounts

At 1 July 2012	44,274	226,417	3,118	281,179	-	554,988
At 30 June 2013	67,717	238,159	2,991	201,018	9,528	519,413
At 30 June 2014	52,846	77,997	1,501	39,915	5,709	177,968

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

13. Intangible assets

	Intellectual property	Total
Cost		
Balance at 1 July 2012	700,000	700,000
Acquisitions	-	-
Disposals	-	-
Balance at 30 June 2013	<u>700,000</u>	<u>700,000</u>
Balance at 1 July 2013	700,000	700,000
Acquisitions	-	-
Disposals	-	-
Balance at 30 June 2014	<u>700,000</u>	<u>700,000</u>
Amortisation and impairment losses		
Balance at 1 July 2012	(700,000)	(700,000)
Amortisation for the year	-	-
Impairment	-	-
Balance at 30 June 2013	<u>(700,000)</u>	<u>(700,000)</u>
Balance at 1 July 2013	(700,000)	(700,000)
Amortisation for the year	-	-
Impairment	-	-
Balance at 30 June 2014	<u>(700,000)</u>	<u>(700,000)</u>
Carrying Amounts		
At 1 July 2012	<u>-</u>	<u>-</u>
At 30 June 2013	<u>-</u>	<u>-</u>
At 1 July 2013	<u>-</u>	<u>-</u>
At 30 June 2014	<u>-</u>	<u>-</u>

The intellectual property was purchased during the 2008 financial year for consideration of \$100,000 in cash and shares in the Company with a fair value of \$600,000. Due to there being insufficient cash flows from operations to support the carrying value of the intellectual property, the directors resolved to impair the carrying value during the year ended 30 June 2008. As at 30 June 2014, there is insufficient evidence to support that the recoverable amount of the intellectual property has increased and therefore no reversal of impairment has been recorded.

The directors do not consider the current stage of development to satisfy the criteria for capitalisation of research and development expenses, and therefore all such expenses were recognised in profit or loss during the financial year. This is reassessed whenever changes in events indicate the Group may have potentially satisfied the criteria for capitalisation of development expenditure.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

14. Trade and other payables

Current liabilities		2014	2013
Trade payables		331,136	70,739
Amounts owing to related parties	22	6,667	6,667
Licence income received in advance*		326,669	337,500
Other payables and accrued expenses		243,415	800,042
		909,886	1,214,948
Non-Current liabilities		2014	2013
Licence income received in advance*		2,108,494	2,375,160
		2,108,494	2,375,160

*During the prior year the Group entered into a strategic relationship with TPG Telecom Limited (TPG). In exchange for a \$10,000,000 cash investment, TPG was provided with a 10 year exclusive licence (Australia and New Zealand, excluding government and defence markets) to sell, market and distribute certain advanced technology products. When considering the accounting substance of the transaction and with specific reference to AASB 132 *Financial Instruments: Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 118 *Revenue*, \$2,666,667 of the TPG investment was recognised as licence income received in advance, to be recognised proportionately over the 10 year life of the licence.

Details of amounts owing to related parties are disclosed in Note 22.

The Group's exposure to liquidity risk related to trade payables is disclosed in Note 18.

15. Loans and borrowings

Current liabilities		2014	2013
Converting notes		10,878,062	5,089,740
		10,878,062	5,089,740
Non-Current liabilities		2014	2013
Converting notes		-	3,496,077
		-	3,496,077

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rates and liquidity see Note 18.

The terms and conditions of outstanding converting notes on issue at 30 June 2014 were as follows:

Issue year	Maturity year	Base conversion price	Interest rate	Principal value	Carrying value 30 June 2014	Carrying value 30 June 2013
2013	*	\$0.15	9%	800,000	883,742	803,748
2012	2015 ¹	\$0.16	Nil	4,000,000	5,457,850	4,285,992
2012	2015	\$0.10	Nil	3,150,000	4,536,470	3,496,077
				7,950,000	10,878,062	8,585,817

* Maturity date is the date which is ten business days after the Company has issued sufficient ordinary shares in the Company to enable the converting note holder to convert without breaching the Takeover Provisions contained in Part 6.1 of the *Corporations Act 2001*.

¹ The original maturity date of 22 May 2014 was extended during the year to 31 July 2014.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

15. Loans and borrowings (continued)

The converting notes issued during the prior year convert at a fixed conversion price of \$0.15 resulting in a fixed number of shares to be issued on conversion. The notes also contain a redemption clause that states that if before the maturity date any option or warrant issued by the Company expires or is cancelled, and such expiry/cancellation would result in a potential takeover breach if the note holder were to convert all of its notes, then the noteholder may request the Company to redeem the minimum number of notes that would ensure the noteholder would not be in breach of this clause. In the absence of this clause the converting notes would ordinarily be treated as equity instruments. The Company has hence recognised a redemption liability equivalent to the notional value of the converting notes that would need to be redeemed if all current outstanding options and warrants were to expire/cancel and the noteholder was to make such a request. The redemption clause also includes a requirement to pay interest on the liability component at the Corporate Reference Rate of the Commonwealth Bank of Australia. Interest of \$79,994 has been accrued at 30 June 2014 (2013: \$3,748).

	\$
Proceeds from issue of converting notes	3,666,667
Net proceeds	3,666,667
Amount classified as equity	(2,866,667)
Accreted interest	83,742
Carrying amount of liability at 30 June 2014	883,742

The fair value of the converting notes issued during the 30 June 2012 financial year is reconciled as follows:

	\$
Fair value at 1 July 2013	7,782,069
Movement in fair value to 30 June 2014	2,212,251
Fair value at 30 June 2014	9,994,320

The movement in fair value includes amortisation of the deferred 'day one' fair value loss of \$1,052,347. The remaining balance of the 'day one' fair value loss at 30 June 2014 is \$326,027 (2013: \$1,378,374).

Subsequent to year end converting notes with a carrying value of \$10,878,062 and classed as current loans and borrowings at 30 June 2014 converted into ordinary shares of the Company. The financial effect of these events has not been included in the financial statements as at 30 June 2014.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

16. Employee benefits

	2014	2013
Current		
Provision for annual leave	133,034	187,575

There are no long term service benefits that require a provision at 30 June 2014. (2013: nil).

Employee benefit expense recognised in profit or loss

	2014	2013
Wages & salaries	5,234,525	5,135,950
Other short-term employee benefits	45,808	83,239
Termination benefits	293,973	26,538
Other employee related expenses	96,165	276,013
Payroll taxes	203,647	258,352
Contributions to defined contribution plans	491,228	428,845
Equity-settled share-based payments	1,300,659	1,755,945
	7,666,005	7,964,882

17. Capital and reserves

Share Capital

	Ordinary shares	
	2014	2013
Number of shares		
On issue at 1 July	224,170,039	190,721,150
Issued for cash	-	33,333,333
Issued for non-cash	-	115,556
On issue at 30 June – fully paid	224,170,039	224,170,039

	2014	2013
Cost	\$	\$
On issue at 1 July	14,836,983	11,760,772
Issued for cash	-	3,666,667
Less issue costs	-	(607,062)
Issued for non-cash	-	16,606
On issue at 30 June – fully paid	14,836,983	14,836,983

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Fully paid ordinary shares carry the following rights:

- the right to a return of capital in proportion to the amount of the total issue price paid or credited as being paid on the share on a winding up of the company; and
- the right to participate in any dividends; and
- the right to vote at general meetings of the Company.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

17. Capital and reserves (continued)

Shares issued during the year ended 30 June 2014:

- No shares were issued during the year.

Shares issued during the year ended 30 June 2013:

- During the prior year the Company issued 33,333,333 shares at \$0.11 per share for \$3,666,667.
- The Company also issued 115,556 shares at a weighted average \$0.14 per share as share based payments to suppliers and consultants for services provided during the prior period. This share issue price represented fair value of the shares issued at the time of issue based on the share issue price from the most recent arm's length capital raising.

Dividends

2014

There were no dividends declared or paid during the year (2013: nil).

Dividend franking account

30 per cent franking credits available to shareholders of Cocoon Data Holdings Limited for subsequent financial years.

The Company	
2014	2013
-	-

Equity conversion reserve

During the year converting notes were issued which convert at a fixed conversion price of \$0.15, resulting in a fixed number of shares to be issued on conversion. Interest is charged at 2% for each full month that the note remains unconverted. The Directors have determined that these converting notes are to be classified as equity as they are not redeemable for cash and there are no terms in the note agreements that would give rise to a variable number of shares being issued by the Company. The carrying value of the converting notes issued during the financial year is reconciled as follows:

	\$
Proceeds from issue of converting notes	2,500,000
Net proceeds classified as equity	2,500,000
Accreted interest	30,000
Carrying amount of liability at 30 June 2014	2,530,000

As the converting notes are classified as equity the interest component applied to the notes is also classified within equity.

Nature and purpose of reserves

Share options/warrants reserve

The share options/warrants reserve is used to recognise the grant date fair value of options/warrants issued but not exercised.

Equity conversion reserve

The equity conversion reserve is used to recognise the amount allocated to the equity component of convertible notes issued but not exercised.

Foreign currency translation reserve

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

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

18. Financial instruments

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. As outlined in Note 9, Trade Receivables as at 30 June 2014 were \$37,688 (2013: \$269,967). Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, rental bonds, other receivables, R&D rebate receivable from the ATO and GST receivable from the ATO.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the characteristic of each customer. The Group's trade and other receivables relate to the provision of technology and related services. The Group does not require collateral in respect of trade and other receivables.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

<i>Consolidated</i>	Note	Carrying Amount	
		2014	2013
Trade and other receivables	9	2,579,399	2,719,247
Other assets	10	175,375	185,116
Cash and cash equivalents	7	2,158,047	5,995,421
		4,912,821	8,899,784

The aging of the Group's trade and other receivables at the reporting date that were not impaired was:

	Note	Carrying Amount	
		2014	2013
Current		2,579,399	2,719,247
Past due 0 – 30 days		-	-
Past due 30 – 90 days		-	-
	9	2,579,399	2,719,247

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

18. Financial instruments (continued)

(b) Credit risk (continued)

There have been no impairment losses recognised during the year (2013: nil).

Cash and cash equivalents

At 30 June 2014, the Group held cash and cash equivalents of \$2,158,047 (2013: \$5,995,421), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with reputable banks and financial institution counterparties, which are rated B to AA, based on rating agency 'Moody's rating'.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, where possible, that it will always have sufficient liquidity to meet its liabilities when due.

Ultimate responsibility for liquidity management rests with the directors. The Group ensures that, where possible, it has sufficient cash on demand to meet expected net cash outflows, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Liquidity risk

The following are the contractual maturities of the Group's financial liabilities, including estimated interest:

	Carrying amount	Contractual cash flow	6 months or less	6 months or more
30 June 2014				
Trade and other payables	583,217	583,217	583,217	-
Loans and borrowings – current ¹	10,878,062	10,878,062	10,878,062	-
Loans and borrowings – non-current	-	-	-	-
	11,461,279	11,461,279	11,461,279	-
30 June 2013				
Trade and other payables	877,448	877,448	877,448	-
Loans and borrowings – current ¹	5,089,740	5,089,740	803,748*	4,285,992
Loans and borrowings – non-current ¹	3,496,077	3,496,077	-	3,496,077
	9,463,265	9,463,265	1,681,196	7,782,069

¹ Amounts relate to portion of converting notes classified as a liability, but are expected to be equity settled on their maturity date.

² Trade and other payables balances above excludes income received in advance (as disclosed in Note 14) as there is no contractual cash outflows associated with these balances.

* Amount relates to potential redemption liability within the convertible note issued during the prior year that would be payable in the event the redemption event were to occur (as disclosed in Note 15), however it is expected the amount will be equity settled on maturity of the converting note.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts, apart from potential equity conversions outlined above.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

18. Financial instruments (continued)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

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

The Group has an insignificant exposure to currency risk as the majority of sales and purchases made are denominated in the same currency as the respective functional currency of the Group entity where the transaction is initiated.

(ii) Interest rate risk

The Group adopts a policy to minimise exposure to interest rate risk by depositing excess funds in interest bearing accounts that are variable rate.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

Variable rate instruments

	Carrying amount	
	2014	2013
Cash and cash equivalents	2,158,047	5,995,421
Financial assets – term deposits	104,417	104,417
	2,262,464	6,099,838

Fixed rate instruments

	Carrying amount	
	2014	2013
Financial assets	-	-
Financial liabilities	800,000	800,000
	800,000	800,000

Fair value sensitivity for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would not have had a material effect on the loss for the current or prior period.

(e) Capital management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and increase shareholder value. The Board monitors the return on capital, which results from operating activities divided by total shareholders' equity. The Board ensures the Group has sufficient capital as required for working capital purposes. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

18. Financial instruments (continued)

(f) Fair value hierarchy

The fair values of financial assets and liabilities approximate their carrying amounts.

Converting notes classified as fair value through profit or loss have been designated as a Level 3 financial instrument. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of converting notes measured at fair value through profit or loss is calculated using the Monte Carlo Simulation method. Key inputs and assumptions used in the model at 30 June 2014 are as follows:

	Issued on 28 Feb 2013	Issued on 22 May 2013
Principal	\$3,150,000	\$4,000,000
Maturity date	28 February 2015	31 July 2014
Share Price	\$0.15	\$0.15
Expected volatility	48%	48%
Dividend yield	Nil	Nil
Base conversion price	\$0.10	\$0.16
Risk-free interest rate (based on government bonds)	2.40%	2.34%
Interest rate	0%	0%
Fair value @ 30 June 2014	\$4,862,860	\$5,457,850

Sensitivity analysis on fair value of converting notes:

At 30 June 2014, if the volatility had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

	Post tax loss Higher/(Lower) 2014 \$	Post tax loss Higher/(Lower) 2013 \$	Total equity (Higher)/Lower 2014 \$	Total equity (Higher)/Lower 2013 \$
+10% Volatility	116,317	427,380	116,317	427,380
-10% Volatility	(80,179)	(429,325)	(80,179)	(429,325)

At 30 June 2014, if the share price of Cocoon Data Holdings Limited shares had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

	Post tax loss Higher/(Lower) 2014 \$	Post tax loss Higher/(Lower) 2013 \$	Total equity (Higher)/Lower 2014 \$	Total equity (Higher)/Lower 2013 \$
+\$0.05 Share Price	3,288,044	1,074,648	3,288,044	1,074,648
-\$0.05 Share Price	(2,300,762)	(156,395)	(2,300,762)	(156,395)

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

19. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
Less than one year	211,266	404,538
Between one and five years	26,498	360,835
	237,764	765,373

Subsequent to year end a 26 month lease for expanded premises located at 11190 Sunrise Valley Drive, Reston, Virginia USA was entered into, with a commencement date from 1 November 2014.

In addition, in September 2014, The Group renewed a 3 year lease on commercial premises located at 156 Clarence Street, Sydney Australia, with the date of renewal commencing from 1 October 2014.

The resulting commitments from entering into these lease agreements subsequent to year end have not been reflected in the above amounts.

During the financial year ended 30 June 2014, \$442,607 was recognised as an expense in profit or loss in respect of operating leases (2013: \$328,028).

20. Consolidated entities

Parent entity	Country of Incorporation	Ownership interest	
		2014	2013
Cocoon Data Holdings Limited	Australia		
Subsidiaries			
Cocoon Data Pty Limited	Australia	100%	100%
Covata Australia Pty Limited	Australia	100%	100%
Covata USA, Inc.	United States	100%	100%

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

21. Share-based payment arrangements

At 30 June 2014 the Group has the following share-based payment arrangements:

Share option programme (equity-settled)

During the year the Group established a share option programme that entitles US based directors, employees and contractors to purchase shares in the Company. A total of 3,500,000 share options were issued under this programme during the year. In accordance with this programme, holders of vested options are entitled to purchase shares at \$0.11USD per share.

During the year ended 30 June 2014 a total of 14,930,000 shares were issued under a newly established Loan Funded Employee Share Plan ("Share Plan"). For accounting purposes shares allocated to employees pursuant to the Share Plan will be treated and valued as options, and the fair value of the options granted under the Share Plan is estimated as at the grant date using a Black-Scholes model taking into account the terms and conditions upon which they were granted.

The terms and conditions related to the grants of the share option programme and Share Plan are as follows; all options are to be settled by physical delivery of shares.

Grant date	No. of options	Exercise price \$USD	Fair value at grant date \$AUD	Vesting Conditions
31/07/2013	750,000	0.11	0.07	25% on the 1 year anniversary of grant date, remainder to vest over a period of 12 calendar quarters on the last day of each quarter commencing September 30, 2013.
12/08/2013	1,500,000	0.11	0.07	25% on the 1 year anniversary of grant date, remainder to vest over a period of 12 calendar quarters on the last day of each quarter commencing September 30, 2013.
2/12/2013	9,580,000	0.11	0.07	100% immediately vested on grant date.
2/12/2013	5,350,000	0.11	0.07	25% on grant date, with the remainder to vest over a period of 12 calendar quarters on the last day of each quarter commencing March 31, 2014.
18/12/2013	1,250,000	0.11	0.07	25% on the 1 year anniversary of grant date, remainder to vest over a period of 12 calendar quarters on the last day of each quarter commencing December 30, 2013.
	18,430,000			

The term of all options issued to US based participants is the shorter of ten years from the option grant date or three months from the termination of service (one year if termination is caused by death). The fair value of the share options was based on an exercise price of \$0.11USD translated at the exchange rate as at each grant date.

Loan funded share plan

In November 2013, The Company created a Loan Funded Employee Share Plan ("Share Plan"). The Share Plan allows Directors from time to time to invite eligible employees to participate in the Share Plan and offer shares to those eligible persons. The Share Plan is designed to provide incentives, assist in the recruitment, reward and retention of employees and provide opportunities for employees (both present and future) to participate directly in the equity of the Company. The participant will be provided with an interest free, non-recourse loan for the consideration payable for the shares. The vesting of the shares will be subject to performance or service conditions as determined by the Board. The shares allocated to employees under the Share Plan are held in trust for eligible persons as security for the loans. There are no cash settled alternatives.

During the year a total of 14,930,000 (2013: Nil) shares have been issued under the Share Plan.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

21. Share-based payment arrangements (continued)

Warrant allocation (equity-settled)

The Group did not issue any warrant shares during the financial year.

During the prior financial year the Group issued 14,000,000 warrant shares to third party service providers of the entity. Holders of the warrant shares are entitled to purchase shares at \$0.16 per share.

The terms and conditions related to the warrant allocation are as follows; all options are to be settled by physical delivery of shares.

Grant details	Number of instruments	Vesting conditions	Contractual life of options
Warrant shares granted to service providers on 6 August 2012	10,000,000	Fully vested on grant date	5 years
Warrant shares granted to service providers on 7 June 2013	4,000,000	Fully vested on grant date	5 years
Total warrant shares	14,000,000		

Measurement of fair values

The fair value of all share-based payment plans was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility.

Equity-settled share-based payment plans

The inputs used in the measurement of the fair values at grant date of the equity-settled share based payment plans were as follows:

	Share options*	Warrant shares
Fair value at grant date	\$0.07	\$0.07
Share price at grant date	\$0.11	\$0.11**
Exercise price	\$0.11USD	\$0.16
Expected volatility (weighted average)	48%	48%
Expected life (weighted average)	10 years	5 years
Expected dividends	Nil	Nil
Risk-free interest rate (based on government bonds)	*	3.04%

Employee expenses recognised in profit or loss

	2014	2013
Share options granted – 2014	820,958	-
Share options granted – 2013	109,428	1,739,877
Share options granted - 2012	370,273	16,068
Total expense recognised as employee costs	1,300,659	1,755,945

During the year 23,724,473 vested options lapsed with a total fair value of \$1,118,217 reducing the net amount recognised in the share options reserve for the ended 30 June 2014 to \$2,264,132.

Fair value of warrants issued – consultancy fees

	2014	2013
Warrant shares granted	-	529,176
Total expense recognised	-	529,176

*Inputs relate to share options granted on 31 July 2013, 28 August 2013 and 2 December 2013 and 18 December 2013. The risk free interest rates at each grant date were 3.72%, 3.91%, 4.19% and 4.23% respectively.

** As this relates to a non-employee transaction the share price was measured using the average share price over the service period.

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

21. Share-based payment arrangements (continued)

Reconciliation of outstanding share options and warrant shares

The number and weighted average exercise prices of share options and warrant shares is as follows:

	Number of share options	Weighted average exercise price	Number of warrant shares	Weighted average exercise price
	2014	2014	2014	2014
Outstanding at 1 July	55,885,000	\$0.14	83,923,583	\$0.11
Forfeited during the year	30,560,000	\$0.15	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Granted during the year	18,430,000	\$0.11	-	-
Outstanding at 30 June	43,755,000	\$0.12	83,923,583	\$0.11
Exercisable at 30 June	23,895,521	\$0.18	83,923,583	\$0.11

	Number of share options	Weighted average exercise price	Number of warrant shares	Weighted average exercise price
	2013	2013	2013	2013
Outstanding at 1 July	23,360,000	\$0.22	69,923,583	\$0.10
Forfeited during the year	8,600,000	\$0.22	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Granted during the year	41,125,000	\$0.11	14,000,000	\$0.16
Outstanding at 30 June	55,885,000	\$0.14	83,923,583	\$0.11
Exercisable at 30 June	39,789,700	\$0.15	83,923,583	\$0.11

The options outstanding at 30 June 2014 have a weighted average exercise price of \$0.12 and a weighted average contractual life of 8 years. The warrant shares outstanding at 30 June 2014 have an exercise price of \$0.11 and a weighted average contractual life of 8 years.

22. Related parties

Parent and ultimate controlling party

As at, and throughout, the financial year ended 30 June 2014, the parent and ultimate controlling party of the Group is Cocoon Data Holdings Limited.

Key management personnel compensation

The key management personnel compensation comprised:

	2014	2013
Short-term employee benefits, including consulting fees	890,803	616,480
Superannuation	8,208	11,130
Share based payments – share options (note 21)	122,321	1,588,048
	1,021,332	2,215,658

Other transactions with directors and key management personnel

At 30 June 2014 the balance outstanding with key management personnel was \$6,667 (2013: \$6,667) primarily relating to shareholder approved non-executive director payments, and is included in amounts owing to related parties.

At 30 June 2014, Trent Telford was the controlling director of Telford OpCo Pty Ltd, which during the year provided consulting services to the Group of \$87,667 (2013 \$6,000).

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

23. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2014 the parent company of the Group was Cocoon Data Holdings Limited.

	Company	
	2014	2013
Result of the parent entity		
Loss for the period	(8,509,845)	(5,275,021)
Total comprehensive loss for the year	(8,509,845)	(5,275,021)
Financial positions of parent entity at year end		
Current assets	4,398,841	7,992,897
Non-current assets	15,409	15,409
Total assets	4,414,250	8,008,306
Current liabilities	10,878,062	5,178,637
Non-current liabilities	-	3,496,077
Total liabilities	10,878,062	8,674,714
Total equity of the parent entity comprising of:		
Share capital	14,836,983	14,836,983
Reserves	13,037,956	10,325,515
Accumulated losses	(34,338,751)	(25,828,906)
Total equity	(6,463,812)	(666,408)

Parent entity contingencies

The parent entity did not have any capital commitments or contingent liabilities at 30 June 2014 (2013: nil).

Cocoon Data Holdings Limited and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2014

24. Events subsequent to reporting date

Since 30 June 2014, 20,000,000 share options have been issued to US based directors for nil consideration. These are exercisable for ordinary shares at \$0.15 per share and have a ten year term.

On 25 July 2014 converting notes with a carrying value of \$9,994,320 and classed as current loans and borrowings at 30 June 2014 converted into Ordinary shares of the Company. On 4 August 2014 a further \$883,742 of converting notes classed as current loans and borrowings at 30 June 2014 converted into Ordinary shares of the Company. A further \$2,866,667 of converting notes that had been classed as equity at 30 June 2014 also converted into Ordinary shares of the Company on 4 August 2014.

On 31 October 2014, Prime Minerals Limited (PIM) completed a merger with the Company through an off-market takeover bid by PIM for all of the shares in the Company. The offer was accepted by over 94% of all shareholders in the Company, whereby shareholders will receive, on a post consolidation basis, 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 share held in the Company. On 31 October 2014 PIM changed its name to Covata Limited and the Company has become a wholly owned subsidiary of Covata Limited. Upon completion of the transaction certain directors of the Company will be appointed to and control the board of Covata Limited. At the date of this report conditional consent to re-list has been provided by the ASX and it is intended that the newly named company will re-list at 6 November 2014. One of the essential takeover bid conditions was the successful capital raising of a minimum \$2,500,000 and a maximum \$15,000,000. The capital raising was oversubscribed and closed for \$15,000,000 (excluding capital raising costs). As part of the merger all outstanding options in the Company (58,505,000) have been cancelled and have been replaced with an equivalent number of Covata Limited options.

The financial effect of these events has not been included in the financial statements as at 30 June 2014.

In October 2014 the Company received cash funds of \$2,342,935 from the ATO for research & development tax concessions relating to the 30 June 2014 financial year. The financial effect of this event has been included in the financial statements as at 30 June 2014 as other income and a receivable (Note 9).

On 1 August 2014 the Board accepted the resignation of Charles Archer from the position of CEO and appointed Trent Telford to the position of CEO effective 1 August 2014. On 1 August 2014 the Board also accepted the resignation of Trent Telford from the position of Chairman and appointed Charles Archer to the position of Chairman effective 1 August 2014.

On 12 August 2014 the Group's US Patent application titled System and Method for Securing Data was granted. This patent has a priority date of 21 Dec 2007 and documents the core business processes of the Covata Platform and our approach to authentication, authorization, encryption and rights management.

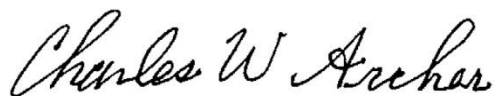
Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations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

Cocoon Data Holdings Limited and its controlled entities Director's declaration

- 1 In the opinion of the directors of Cocoon Data Holdings Limited ("the Company"):
 - a) the consolidated financial statements and notes that are set out on pages 13 to 46, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors draw attention to Note 2(a) to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 31st day of October 2014.

Signed in accordance with a resolution of the directors:



Charles Archer
Chairman



Independent auditor's report to the members of Cocoon Data Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Cocoon Data Holdings Limited ('the Company'), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

KPMG



Adam Twemlow

Partner

Bundall

31 October 2014