

PITCHER PARTNERS

**dorsaVi Ltd (formerly
dorsaVi Pty Ltd)**

ABN 151 297 424 09

Financial report

For the year ended 30 June 2013

Pitcher Partners

Level 19

15 William Street

Melbourne VIC 3000

Telephone (03) 8610 5000

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DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
ABN 151 297 424 09

DIRECTORS' REPORT

The directors present their report together with the financial report of dorsaVi Ltd (formerly dorsaVi Pty Ltd) for the year ended 30 June 2013 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors names

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

Andrew James Ronchi Director - appointed 18 February 2008

Michael Panaccio Director - appointed 16 May 2008

Ashraf Attia Director - appointed 14 July 2008

Herbert James Elliott Director (Chairman)- appointed 29 October 2013

Gregory John Tweedly Director - appointed 29 October 2013

Brendan Case Company Secretary - appointed 29 October 2013

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

Results

The loss of the company for the year after providing for income tax amounted to \$1,659,235.

Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the company during the year was a med tech company focussed on the development, sales and distribution of innovative motion analysis technology. The company has successfully launched products into three market areas: Elite Sports, Occupational Health and Safety, and the Clinical Sector (involving Specialist Physicians, Doctors and Physiotherapists). Whilst still developing new technology and applications, DorsaVi's focus is on building market growth and uptake through a strong sales team and a well-targeted marketing campaign.

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

DIRECTORS' REPORT

After balance date events

Particulars of matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years are as follows:

a) Conversion to Public Company

On 17 October 2013, dorsaVi Pty Ltd converted to a public company. The name of the company is now dorsaVi Ltd (formerly dorsaVi Pty Ltd).

b) Issue of shares

Subsequent to year end, 800,000 ordinary shares at \$1 per share were issues as part of the Employee Share Ownership Plan (refer to d below)

c) Convertible notes

Subsequent to year end, Starfish Technology Fund subscribed for \$250,000 convertible notes in August 2013 and a further \$250,000 convertible notes in October 2013.

d) Initial Public Offering

Subsequent to the year end, dorsaVi is planning to raise \$18 million comprising a public offer of 41,250,000 shares at \$0.40 each and a subscription by Starfish Technology Fund II for \$1.5 million in convertible notes that may convert to 3,375,000 shares at \$0.40 each at the date of the public offering. dorsaVi has engaged the services of Canaccord Genuity as underwriters for the fund raising. If successful, the public float is likely to occur before Christmas 2013.

e) Employee Share Ownership Plan 'Initial ESPO Shares'

Subsequent to year end, the company implemented the Employee Share Ownership Plan (ESOP). The issue of ordinary shares under the Initial ESOP (refer to b above) involves the granting of a financial assistance loan to each participant for each ordinary share issued.

When a participant ceases employment, should they fail to repay the loan, the ordinary shares are sold and the employee loan, to the extent any remains owing, is written off. The contractual life of the initial ESOP Shares is limited to the employee's tenure with the Company. There are no cash settlement alternatives. Initial ESOP Shares are treated as an option for accounting purposes as the loan recourse is to the ordinary shares only.

Number of shares issued under the ESOP	800,000
Date of Grant	7 October 2013
Issue price	\$1 per share
Fair value at issue date	\$nil

f) New Board Memembers and Company Secretary

dorsaVi has also appointed new members to the board including Mr Herb Elliott as Chairman of dorsaVi, Mr Greg Tweedly as a director and Mr Brendan Case as company secretary, all new members have exceptional business experience and a strong and relevant network for the markets in which dorsaVi operates.

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)

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DIRECTORS' REPORT

Likely developments

The likely developments in the operations of the company and the expected results of those operations in subsequent financial years are as follows:

Subject to the Initial Public Offering, dorsaVi plan to build a sales team with coverage across Australia with a clinical focus and the ability to manage growth where required in the OH&S sector and the elite sports sector. In early 2014 the company will setup an office and sales team in the UK and initiate the setup of the US based sales team. dorsaVi will continue research and development and will continue to refine the software with the priority to make the system more intuitive for clinicians and for patients.

Environmental regulation

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

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Information on directors

Andrew James Ronchi	Director / Chief Executive Officer
Qualifications	Bachelor of Applied Science (Physio) from Latrobe University, PhD from RMIT University (Computer and systems engineering).
Experience	20 years clinical and business management experience. Andrew has successfully pioneered four physiotherapy clinics in Melbourne. Furthermore he co-authored a number of patents relating to the technology being developed.
Interest in shares and options	20,000 Series A Preference Shares 1,078,000 Ordinary Shares

DIRECTORS' REPORT

Information on directors (Continued)

Michael Panaccio

Director / Investment Principal

Qualifications

Michael holds a Bachelor of Science (Hons) from The University of Melbourne, a Ph.D (Medicine) from The University of Melbourne and a MBA from RMIT University. Michael is a Fellow of the Australian Institute of Company Directors and a former Chairman of the Australian Biotechnology Advisory Council.

Experience

Michael Panaccio is one of the founders of Starfish Ventures and has played a crucial role in the establishment of the company. Michael was formerly Investment Manager with JAFCO Investment (Asia Pacific) and was the first Investment Professional to join JAFCO's Australian operations after the office was established. Together with John Dyson, Michael established JAFCO as a leading venture capital manager in Australia.

Prior to joining JAFCO, Michael was Head of the Department of Molecular Biology at the Victorian Institute of Animal Sciences where he used his mix of commercial and scientific skills to build a large scientific department (over 20 staff) and raised over \$5 million from multinational drug companies. Michael is the inventor on numerous patent applications, has authored or co-authored over thirty scientific publications and contributed to five books. Michael maintains active contact with members of the scientific community in Australia in a number of diverse fields.

Michael has been a Director of numerous technology businesses in Australia and the USA including SIRTEx Medical, Technico, EOS, Protagonist and Colloidal Dynamics Group. He is currently a director of ImpediMed, Monitoring Division, MuriGen, NeuProtect and Ofidium.

Interest in shares and options

6,000,000 Series A Preference Shares

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)

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DIRECTORS' REPORT

Information on directors (Continued)

Ashraf Attia	Director
Qualifications	Ashraf was educated in the USA to a Master's Degree level in Bio-Electrical Engineering and has also completed post graduate marketing & business courses in Australia
Experience	<p>Ashraf has substantial senior management experience in multinational operations for over 20 years within the Medical Devices, Biotechnology and Diagnostics industry.</p> <p>Ashraf currently holds the position of Managing Director, Asia Pacific with Thoratec Corporation. Ashraf has held key senior executive roles within the industry including Vice President of Asia Pacific at Micromed Cardiovascular and Syncardia Systems, Vice President of Asia Pacific at Ventracor Limited, Vice President Asia Pacific and Managing Director at Biotronik GmbH, and General Manager at SulzerMedica International.</p> <p>Ashraf has also consulted to several organizations in the areas of business development, strategic marketing, sales & marketing management, and distribution strategies. In addition, Ashraf has extensive hands-on technical knowledge.</p> <p>Ashraf's track record includes competence in top level management, strategic planning, client relationship management, R&D, marketing, financial management, business development, regulatory/quality, media/press management and corporate governance.</p>
Interest in shares and options	Nil
Herbert James Elliott	Chairman
Experience	<p>Herb is the deputy chairman and an independent director of Fortescue Metals Group Limited. He has been a director of Fortescue since October 2003 and was company chairman from 2007 to 2011.</p> <p>He has been chairman of Telstra Foundation Limited and is a former director of Ansell Limited and Pacific Dunlop Limited. Herb was the inaugural chairman of the National Australia Day Committee, a Commissioner of the Australian Broadcasting Commission and deputy chairman of the Australian Sports Commission.</p> <p>Herb was also a director of the World Olympians Association and was a gold medallist (1500 metres athletics) at the Rome 1960 Olympics. Previous executive roles include president of PUMA North America. Herb is an honorary Doctor of the Queensland University of Technology.</p>
Interest in shares and options	Nil

DIRECTORS' REPORT

Information on directors (Continued)

Gregory John Tweedly	Director
Qualifications	B Com, CPA, GAICD
Experience	Greg is a Director of the Emergency Services and Telecommunications Authority and was a Director and CEO of the Victorian WorkCover Authority (WorkSafe) from 2003 to 2012.
	Prior to joining WorkSafe Greg was an executive with the Transport Accident Commission from 1996 to 2002 in various senior roles including Chief Operating Officer.
	He was formerly a Director of the Institute of Safety Compensation and Recovery Research, a Director of the Personal Injury Education Foundation, a Director and Chair of the Victorian Trauma Foundation, Chair of the Heads of Workers' Compensation Authorities of Australia and New Zealand and Member of SafeWork Australia and its predecessor organisation.
Interest in shares and options	Nil

Brendan Case	Company Secretary
Qualifications	MComLaw (Melb), BEc, CPA, Grad Dip App Fin, Dip FP, FCIS
Experience	Brendan has more than 20 years of company secretarial, corporate governance and finance experience. He is a former Associate Company Secretary of National Australia Bank Limited (NAB), former secretary of NAB's Audit and Risk Committees and has held senior management roles in risk management and regulatory affairs.
Interest in shares and options	Nil

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
Andrew James Ronchi	6	6
Michael Panaccio	6	6
Ashraf Attia	6	6
Herbert James Elliott	0	0
Gregory John Tweedly	0	0
Brendan Case	0	0

DIRECTORS' REPORT

Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities that may arise from their position as officers of the company.

Further disclosure required under section 300(9) of the corporations law is prohibited under the terms of the contract.

Indemnification of auditors

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

Auditor's independence declaration

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

Proceedings on behalf of the company

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

Signed on behalf of the board of directors.

Director: 

Andrew James Ronchi

Director: 

Michael Panaccio

Dated this 1 day of November 2013

**DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
ABN 151 297 424 09**

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF DORSAVI LTD (FORMERLY DORSAVI PTY LTD)**

In relation to the independent audit for the year ended 30 June 2013, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.



S D WHITCHURCH
Partner



PITCHER PARTNERS
Melbourne

Date: 1 November 2013

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
ABN 151 297 424 09

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Revenue			
Sales revenue	3	398,607	244,471
Grant income	3	136,478	510,000
Interest income	3	<u>3,938</u>	<u>38,718</u>
	3	<u>539,023</u>	<u>793,189</u>
Less: expenses			
Changes in inventories of finished goods and work in progress		47,304	138,349
Materials and consumables used	4	(189,315)	(523,390)
Advertising expense		(199,149)	(134,788)
Consultancy expense		(257,168)	(144,065)
Depreciation and amortisation expense	4	(26,860)	(30,437)
Device development expenditure		(233,632)	(670,630)
Employee benefits expense		(1,395,776)	(1,119,216)
Finance costs	4	(1,896)	(3,607)
Occupancy expense		(45,505)	(30,562)
Pilot study expenditure		(52,500)	(120,921)
Professional fees		(63,735)	(249,672)
Travel expenses		(105,180)	(54,886)
Other expenses		<u>(189,178)</u>	<u>(176,705)</u>
		<u>(2,712,590)</u>	<u>(3,120,530)</u>
Loss before income tax benefit		(2,173,567)	(2,327,341)
Income tax benefit	5	<u>514,332</u>	<u>817,175</u>
Loss from continuing operations		<u>(1,659,235)</u>	<u>(1,510,166)</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income		<u>(1,659,235)</u>	<u>(1,510,166)</u>

The accompanying notes form part of these financial statements.

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
ABN 151 297 424 09

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	6	273,791	660,110
Receivables	7	691,368	1,066,837
Inventories	8	185,653	138,349
Other assets	9	<u>27,535</u>	<u>40,548</u>
Total current assets		<u>1,178,347</u>	<u>1,905,844</u>
Non-current assets			
Intangible assets	10	142,452	102,344
Plant and equipment	11	<u>76,480</u>	<u>63,963</u>
Total non-current assets		<u>218,932</u>	<u>166,307</u>
Total assets		<u>1,397,279</u>	<u>2,072,151</u>
Current liabilities			
Payables	12	261,413	314,368
Borrowings	13	1,016,723	19,594
Provisions	14	<u>95,454</u>	<u>64,741</u>
Total current liabilities		<u>1,373,590</u>	<u>398,703</u>
Non-current liabilities			
Provisions	14	<u>9,476</u>	<u>-</u>
Total non-current liabilities		<u>9,476</u>	<u>-</u>
Total liabilities		<u>1,383,066</u>	<u>398,703</u>
Net assets		<u>14,213</u>	<u>1,673,448</u>
Equity			
Share capital	16	5,751,516	5,751,516
Accumulated losses	17	<u>(5,737,303)</u>	<u>(4,078,068)</u>
Total equity		<u>14,213</u>	<u>1,673,448</u>

The accompanying notes form part of these financial statements.

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Contributed equity \$	Accumulated losses \$	Total equity \$
Balance as at 1 July 2011	4,751,516	(2,567,902)	2,183,614
Loss for the year	<u>-</u>	<u>(1,510,166)</u>	<u>(1,510,166)</u>
Total comprehensive income for the year	<u>-</u>	<u>(1,510,166)</u>	<u>(1,510,166)</u>
Transactions with owners in their capacity as owners:			
Contributions	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total transactions with owners in their capacity as owners	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Balance as at 30 June 2012	<u>5,751,516</u>	<u>(4,078,068)</u>	<u>1,673,448</u>
Balance as at 1 July 2012	5,751,516	(4,078,068)	1,673,448
Loss for the year	<u>-</u>	<u>(1,659,235)</u>	<u>(1,659,235)</u>
Total comprehensive income for the year	<u>-</u>	<u>(1,659,235)</u>	<u>(1,659,235)</u>
Balance as at 30 June 2013	<u>5,751,516</u>	<u>(5,737,303)</u>	<u>14,213</u>

The accompanying notes form part of these financial statements.

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Cash flow from operating activities			
Receipts from customers		537,449	212,943
Operating grant receipts		-	561,000
Receipts from sale of publications		-	-
Payments to suppliers and employees		(2,644,393)	(3,559,451)
Interest received		3,938	38,718
Income tax refunded		<u>817,175</u>	<u>383,871</u>
Net cash used in operating activities	21(b)	<u>(1,285,831)</u>	<u>(2,362,919)</u>
Cash flow from investing activities			
Payment for plant and equipment		(32,560)	(44,881)
Payment for intangibles		<u>(46,925)</u>	<u>(40,698)</u>
Net cash used in investing activities		<u>(79,485)</u>	<u>(85,579)</u>
Cash flow from financing activities			
Proceeds from share issue		-	1,000,000
Proceeds from convertible note issue		1,000,000	-
Net loans to related parties		<u>(21,003)</u>	<u>-</u>
Net cash provided by financing activities		<u>978,997</u>	<u>1,000,000</u>
Reconciliation of cash			
Cash at beginning of the financial year		660,110	2,108,608
Net decrease in cash held		<u>(386,319)</u>	<u>(1,448,498)</u>
Cash at end of financial year	21(a)	<u><u>273,791</u></u>	<u><u>660,110</u></u>

The accompanying notes form part of these financial statements.

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was approved by the directors as at the date of the directors' report.

The financial report is for the entity *dorsaVi Ltd* (formerly *dorsaVi Pty Ltd*) as an individual entity. *dorsaVi Ltd* (formerly *dorsaVi Pty Ltd*) is a company limited by shares, incorporated and domiciled in Australia. *dorsaVi Ltd* (formerly *dorsaVi Pty Ltd*) is a for-profit entity for the purpose of preparing the financial statements.

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

(a) Basis of preparation of the financial report

Compliance with IFRS

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

Historical Cost Convention

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

(b) Revenue

Prototype/device and consumable sales revenue is recognised upon invoicing.

Revenue from grants is recognised in accordance with the recognition and measurement requirements of AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance".

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

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

Rent revenue for devices is recognised on a straight-line basis over the rental term.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

(d) Cash and cash equivalents

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

(e) Inventories

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

(f) Intangibles

Patents

Patents, trademarks and licences are recognised at cost and depreciated on a straight line basis over their effective lives.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(h) Leases

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

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

(i) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

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

Class of fixed asset	Depreciation rates	Depreciation basis
Testing equipment at cost	10 - 66.67%	Diminishing value
Leased devices at cost	20%	Straight line
Office equipment at cost	10 - 66.67%	Diminishing value
Furniture, fixtures and fittings at cost	10 - 20 %	Diminishing value
Tooling at cost	10%	Straight line

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

(i) Short-term employee benefit obligations

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

(ii) Long-term employee benefit obligations

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

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

(k) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred.

(l) Goods and services tax (GST)

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

(m) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Going concern

The financial report has been prepared on a going concern basis, which contemplated continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The company incurred a loss from ordinary activities of \$1,659,235 during the year ended 30 June 2013 (2012 loss \$1,510,166).

The company had a net assets position of \$14,213 a 30 June 2013 (2012: \$1,673,448), and current liabilities exceed current assets by \$195,243. In 2012 current assets exceeded current liabilities by \$1,507,141.

As an early stage business, the company's ability to continue as a going concern and meet its liabilities and future commitments as and when they fall due is dependent on a number of factors, including:

- Success with commercialising the BSM platform and generating future sales to enable the company to generate profit and positive cashflows;
- Obtaining additional funding as and when required; and
- Receiving the continued support of its shareholders.

The Directors are currently in the process of seeking to undertake an initial public offer pursuant to this Prospectus. The initial public offer seeks to raise \$18 million. In the event that the equity raising is unsuccessful, the Directors will seek alternate sources of financing to finance operating activities.

As at the date of this report, the Directors consider the going concern basis of accounting is appropriate for the Company based on the factors outlined above.

If the going concern basis of accounting is found to no longer be appropriate, the recoverable amounts of assets shown in the Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected in the Statement of Financial Position.

(o) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and Balances

Transactions in foreign currencies of the company are translated into functional currency at the rate of exchange ruling at the date of the transaction.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Foreign currency translations and balances (Continued)

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

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

(p) Financial instruments

Classification

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

Loans and receivables

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

Financial liabilities

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

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

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

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income tax

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

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

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 3: REVENUE		
Revenue		
Prototype/device and consumable sales	209,658	244,471
Device rental income	<u>15,774</u>	<u>-</u>
	<u>225,432</u>	<u>244,471</u>
Consulting income	<u>173,175</u>	<u>-</u>
	<u>398,607</u>	<u>244,471</u>
Other revenue		
Interest income	3,938	38,718
Grant income	<u>136,478</u>	<u>510,000</u>
	<u>539,023</u>	<u>793,189</u>

NOTE 4: OPERATING PROFIT

Losses before income tax has been determined after:

Cost of sales		
- Manufacturing costs	189,315	523,390
Finance costs	1,896	3,607
Depreciation	20,043	26,075
Amortisation of patents	6,817	4,362
Employee benefits	1,395,776	1,119,216
Remuneration of auditors for:		
Audit and assurance services		
- Audit of the financial report	22,000	11,750
- Other services	<u>6,370</u>	<u>8,935</u>
Total remuneration of auditors	<u>28,370</u>	<u>20,685</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 5: INCOME TAX		
(a) Components of tax benefit		
Current tax	<u>(514,332)</u>	<u>(817,175)</u>
	<u>(514,332)</u>	<u>(817,175)</u>
(b) Prima facie tax payable		
The prima facie tax refundable on loss before income tax is reconciled to the income tax benefit as follows:		
Prima facie income tax refundable on loss before income tax at 30.0% (2012: 30.0%)		
	(652,070)	(698,202)
Add tax effect of:		
- Accounting R&D expenditure	348,425	634,839
- Other non-allowable items	4,604	1,872
- Tax losses not recognised	296,818	86,510
- Deferred tax assets not recognised	<u>10,095</u>	<u>546</u>
	659,942	723,767
Less tax effect of:		
- Amortisation of formation costs	7,872	21,520
- Amortisation of patents / intellectual property	-	1,910
- Other non-assessable items	-	2,135
- R&D tax offset	<u>514,332</u>	<u>817,175</u>
	<u>522,204</u>	<u>842,740</u>
Income tax benefit attributable to loss	<u>(514,332)</u>	<u>(817,175)</u>
(c) Deferred tax assets not brought to account		
Temporary differences	60,705	20,571
Operating tax losses	<u>437,856</u>	<u>116,486</u>
	<u>498,561</u>	<u>137,057</u>
NOTE 6: CASH AND CASH EQUIVALENTS		
Cash on hand	1,000	-
Cash at bank	<u>272,791</u>	<u>660,110</u>
	<u>273,791</u>	<u>660,110</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 7: RECEIVABLES		
CURRENT		
Trade debtors	150,429	84,662
Other receivables		
R&D tax offset refundable	514,332	817,175
Grant revenue receivable	<u>-</u>	<u>165,000</u>
	<u>514,332</u>	<u>982,175</u>
Amounts receivables from:		
- Superspine Forrest Hill Unit Trust	<u>26,607</u>	<u>-</u>
	<u>691,368</u>	<u>1,066,837</u>

Aged analysis

Trade receivables ageing analysis at 30 June is:

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
	\$	\$	\$	\$
Not past due	84,439	-	-	-
Past due 31-60 days	7,427	-	77,512	-
Past due 61-90 days	19,771	-	-	-
Past due more than 91 days	<u>38,792</u>	<u>-</u>	<u>7,150</u>	<u>-</u>
	<u>150,429</u>	<u>-</u>	<u>84,662</u>	<u>-</u>

NOTE 8: INVENTORIES

CURRENT

At cost

Raw materials	23,312	124,366
Finished goods	132,424	13,983
Stock in transit	<u>29,917</u>	<u>-</u>
	<u>185,653</u>	<u>138,349</u>

NOTE 9: OTHER ASSETS

CURRENT

Prepayments	<u>27,535</u>	<u>40,548</u>
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DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 10: INTANGIBLE ASSETS		
Patents at cost	158,773	111,848
Less accumulated amortisation	<u>(16,321)</u>	<u>(9,504)</u>
	<u><u>142,452</u></u>	<u><u>102,344</u></u>

(a) Reconciliations

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

Patents at cost

Opening balance	102,344	66,008
Additions	46,925	40,698
Amortisation expense	<u>(6,817)</u>	<u>(4,362)</u>
Closing balance	<u><u>142,452</u></u>	<u><u>102,344</u></u>

NOTE 11: PLANT AND EQUIPMENT

Plant and equipment

Testing equipment	55,278	36,608
Accumulated depreciation	<u>(29,483)</u>	<u>(25,835)</u>
	25,795	10,773
Leased devices at cost	7,583	-
Accumulated depreciation	<u>(377)</u>	<u>-</u>
	7,206	-
Office equipment	76,673	72,151
Accumulated depreciation	<u>(54,167)</u>	<u>(40,770)</u>
	22,506	31,381
Furniture, fixtures and fittings	4,209	2,424
Accumulated depreciation	<u>(1,196)</u>	<u>(820)</u>
	3,013	1,604
Tooling	22,450	22,450
Accumulated depreciation	<u>(4,490)</u>	<u>(2,245)</u>
	<u>17,960</u>	<u>20,205</u>
Total plant and equipment	<u><u>76,480</u></u>	<u><u>63,963</u></u>

DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 11: PLANT AND EQUIPMENT (CONTINUED)		
(a) Reconciliations		
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year		
<i>Testing equipment</i>		
Opening carrying amount	10,773	13,557
Additions	18,670	5,721
Depreciation expense	<u>(3,648)</u>	<u>(8,505)</u>
Closing carrying amount	<u>25,795</u>	<u>10,773</u>
<i>Leased Devices</i>		
Opening carrying amount	-	-
Additions	7,583	-
Depreciation expense	<u>(377)</u>	<u>-</u>
Closing carrying amount	<u>7,206</u>	<u>-</u>
<i>Office equipment</i>		
Opening carrying amount	31,381	30,042
Additions	4,522	16,366
Depreciation expense	<u>(13,397)</u>	<u>(15,027)</u>
Closing carrying amount	<u>22,506</u>	<u>31,381</u>
<i>Furniture, fixtures and fittings</i>		
Opening carrying amount	1,604	1,558
Additions	1,785	344
Depreciation expense	<u>(376)</u>	<u>(298)</u>
Closing carrying amount	<u>3,013</u>	<u>1,604</u>
<i>Tooling</i>		
Opening carrying amount	20,205	-
Additions	-	22,450
Depreciation expense	<u>(2,245)</u>	<u>(2,245)</u>
Closing carrying amount	<u>17,960</u>	<u>20,205</u>

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NOTES TO FINANCIAL STATEMENTS
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	2013	2012
	\$	\$
NOTE 11: PLANT AND EQUIPMENT (CONTINUED)		
(a) Reconciliations (Continued)		
<i>Total plant and equipment</i>		
Carrying amount at 1 July	63,963	45,157
Additions	32,560	44,881
Depreciation expense	<u>(20,043)</u>	<u>(26,075)</u>
Carrying amount at 30 June	<u><u>76,480</u></u>	<u><u>63,963</u></u>

NOTE 12: PAYABLES

CURRENT

Unsecured liabilities

Trade creditors	151,759	240,300
Sundry creditors and accruals	103,050	73,068
Loan from associates:		
- Starfish Ventures Pty Ltd	3,114	1,000
- Pro Active Industries Pty Ltd	<u>3,490</u>	<u>-</u>
	<u><u>261,413</u></u>	<u><u>314,368</u></u>

NOTE 13: BORROWINGS

CURRENT

Unsecured liabilities

Convertible note	(a) 1,000,000	-
Premium finance liability	<u>16,723</u>	<u>19,594</u>
	<u><u>1,016,723</u></u>	<u><u>19,594</u></u>

(a) Terms and conditions relating to the above convertible note

The 1 million convertible notes were issued by the company on 27 February 2013 at an issue price of \$1.00 per note with a maturity date of 27 February 2014. The notes entitle the holder to convert to preference shares of dorsaVi Pty Ltd at any time at a 10% discount to the last round or automatically if more than \$2 million is raised by the company at a 10% discount to the terms of the new round. Any unconverted notes become repayable on demand after 27 February 2014. No interest is payable on the above convertible notes.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

		2013		2012
		\$		\$
NOTE 14: PROVISIONS				
CURRENT				
Employee benefits	(a)	<u>95,454</u>		<u>64,741</u>
NON CURRENT				
Employee benefits	(a)	<u>9,476</u>		<u>-</u>
(a) Aggregate employee benefits liability		104,930		64,741
(b) Number of employees at year end		12		11

NOTE 15: CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

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

Payable

- not later than one year		40,352		38,987
- later than one year and not later than five years		<u>38,173</u>		<u>78,525</u>
		<u>78,525</u>		<u>117,512</u>

Description of leasing arrangement:

Operating lease of premises.

(b) Capital expenditure commitments contracted for:

Payable

- not later than one year		<u>-</u>		<u>6,000</u>
		<u>-</u>		<u>6,000</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

		2013		2012
		\$		\$
NOTE 16: SHARE CAPITAL				
2,200,000 (2012: 2,200,000) Ordinary Shares	(a)	64,000		64,000
6,040,000 (2012: 6,040,000) Preference Shares	(b)	<u>5,687,516</u>		<u>5,687,516</u>
		<u>5,751,516</u>		<u>5,751,516</u>

	2013		2012	
	Number	\$	Number	\$
(a) Ordinary Shares				
Opening balance	2,200,000	64,000	2,200,000	64,000
Shares issued:	-	-	-	-
Shares bought back:				
At reporting date	<u>2,200,000</u>	<u>64,000</u>	<u>2,200,000</u>	<u>64,000</u>
(b) Preference Shares				
Opening balance	6,040,000	5,687,516	5,040,000	4,687,516
Shares issued:				
14 July 2011	-	-	<u>1,000,000</u>	<u>1,000,000</u>
	-	-	<u>1,000,000</u>	<u>1,000,000</u>
At reporting date	<u>6,040,000</u>	<u>5,687,516</u>	<u>6,040,000</u>	<u>5,687,516</u>

Rights of each type of share

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

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

Capital management

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

During 2013, management paid dividends of \$- (2012: \$-).

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 17: ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(4,078,068)	(2,567,902)
Net loss attributable to members of the entity	<u>(1,659,235)</u>	<u>(1,510,166)</u>
	<u>(5,737,303)</u>	<u>(4,078,068)</u>

NOTE 18: FINANCIAL RISK MANAGEMENT

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

- (a) Currency risk
- (b) Interest rate risk
- (c) Credit risk
- (d) Liquidity risk

The board of directors have overall responsibility for identifying and managing operational and financial risks.

The company holds the following financial instruments:

	2013	2012
	\$	\$
Financial assets		
Cash and cash equivalents	273,791	660,110
Debtors	150,429	84,662
Other receivables	514,332	982,175
Related party receivables	<u>26,607</u>	<u>-</u>
	<u>965,159</u>	<u>1,726,947</u>
Financial liabilities		
Creditors	151,759	240,300
Related party payables	6,604	1,000
Premium finance liability	16,723	19,594
Convertible notes	1,000,000	-
Other payables	<u>103,050</u>	<u>73,068</u>
	<u>1,278,136</u>	<u>333,962</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Currency risk

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

The company does not have a material exposure to currency risk.

(b) Interest rate risk

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

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

2013

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	
<i>Financial assets</i>				
Cash	273,791	-	273,791	0.2 % Floating
Debtors	-	150,429	150,429	0.0 %
Other receivables	-	514,332	514,332	0.0 %
Related party receivables	-	26,607	26,607	0.0 %
	<u>273,791</u>	<u>691,368</u>	<u>965,159</u>	
<i>Financial liabilities</i>				
Convertible notes	-	1,000,000	1,000,000	0.0 %
Creditors	-	151,759	151,759	0.0 %
Related party payables	-	6,604	6,604	0.0 %
Premium finance liability	16,723	-	16,723	7.3 % Fixed
Other payables	-	103,050	103,050	0.0 %
	<u>16,723</u>	<u>1,261,413</u>	<u>1,278,136</u>	

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk (Continued)

2012

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	
<i>Financial assets</i>				
Cash	660,110	-	660,110	1.4 % Floating
Debtors	-	84,662	84,662	0.0 %
Other receivables	-	982,175	982,175	0.0 %
	<u>660,110</u>	<u>1,066,837</u>	<u>1,726,947</u>	
<i>Financial liabilities</i>				
Creditors	-	240,300	240,300	0.0 %
Related party payables	-	1,000	1,000	0.0 %
Premium finance liability	19,594	-	19,594	6.7 % Fixed
Other payables	-	73,068	73,068	0.0 %
	<u>19,594</u>	<u>314,368</u>	<u>333,962</u>	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

(c) Credit risk

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

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

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

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

(i) Cash deposits

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

(ii) Trade receivables

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

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NOTE 18: FINANCIAL RISK MANAGEMENT (CONTINUED)

The aging analysis of trade and other receivables is provided in Note 7. As the company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(iii) Other receivables

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

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company does not have any material exposure to liquidity risk.

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company

- short-term employee benefits	168,672	134,092
- post-employment benefits	<u>13,021</u>	<u>9,908</u>
	<u><u>181,693</u></u>	<u><u>144,000</u></u>

The names of directors who have held office during the year are:

Name	Appointment details
Andrew James Ronchi	Director - appointed 18 February 2008
Michael Panaccio	Director - appointed 16 May 2008
Ashraf Attia	Director - appointed 14 July 2008

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2013	2012
\$	\$

NOTE 20: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity or its parent and their personally related entities

Pro-Active Industries Pty Ltd is a related party as it is controlled by a director of dorsaVi Pty Ltd.

During the year ended 30 June 2013, Pro-Active Industries Pty Ltd paid and were reimbursed for expenses incurred on behalf of dorsaVi Pty Ltd. Total value of these goods and services was \$26,947 (2012: \$3,117). The goods and services supplied were in the normal course of business and on normal terms and conditions.

(b) Transactions with other related parties

Starfish Ventures Pty Ltd is a related party as it is connected with a director of dorsaVi Pty Ltd.

During the year ended 30 June 2013, Starfish Ventures Pty Ltd oncharged rent to dorsaVi Pty Ltd. Total value of these rental charge was \$34,858 (2012: \$29,703). The rent was charged to dorsaVi Pty Ltd on normal terms and conditions.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 21: CASH FLOW INFORMATION		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
Cash on hand	1,000	-
Cash at bank	<u>272,791</u>	<u>660,110</u>
	<u><u>273,791</u></u>	<u><u>660,110</u></u>
(b) Reconciliation of cash flow from operations with profit after income tax		
Loss from ordinary activities after income tax	(1,659,235)	(1,510,166)
Adjustments and non-cash items		
Amortisation	6,817	4,362
Depreciation	20,043	26,075
Changes in assets and liabilities		
(Increase) / decrease in trade receivables	(65,767)	(48,659)
(Increase) / decrease in other assets	178,013	(157,855)
(Increase) / decrease in inventories	(47,304)	(138,349)
Increase / (decrease) in trade payables	(88,541)	(130,861)
Increase / (decrease) in other liabilities	27,111	16,431
Increase / (decrease) in income tax payable	302,843	(433,944)
Increase / (decrease) in provisions	<u>40,189</u>	<u>10,047</u>
	<u><u>373,404</u></u>	<u><u>(852,753)</u></u>
Cash flows from operating activities	<u><u>(1,285,831)</u></u>	<u><u>(2,362,919)</u></u>

NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

Particulars of matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years are as follows:

a) Conversion to Public Company

On 17 October 2013, dorsaVi Pty Ltd converted to a public company. The name of the company is now dorsaVi Ltd (formerly dorsaVi Pty Ltd).

b) Issue of shares

Subsequent to year end, 800,000 ordinary shares at \$1 per share were issues as part of the Employee Share Ownership Plan (refer to d below)

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NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

c) Convertible notes

Subsequent to year end, Starfish Technology Fund subscribed for \$250,000 convertible notes in August 2013 and a further \$250,000 convertible notes in October 2013.

d) Initial Public Offering

Subsequent to the year end, dorsaVi is planning to raise \$18 million comprising a public offer of 41,250,000 shares at \$0.40 each and a subscription by Starfish Technology Fund II for \$1.5 million in convertible notes that may convert to 3,375,000 shares at \$0.40 each at the date of the public offering. dorsaVi has engaged the services of Canaccord Genuity as underwriters for the fund raising. If successful, the public float is likely to occur before Christmas 2013.

e) Employee Share Ownership Plan 'Initial ESOP Shares'

Subsequent to year end, the company implemented the Employee Share Ownership Plan (ESOP). The issue of ordinary shares under the Initial ESOP (refer to b above) involves the granting of a financial assistance loan to each participant for each ordinary share issued.

When a participant ceases employment, should they fail to repay the loan, the ordinary shares are sold and the employee loan, to the extent any remains owing, is written off. The contractual life of the initial ESOP Shares is limited to the employee's tenure with the Company. There are no cash settlement alternatives. Initial ESOP Shares are treated as an option for accounting purposes as the loan recourse is to the ordinary shares only.

Number of shares issued under the ESOP	800,000
Date of Grant	7 October 2013
Issue price	\$1 per share
Fair value at issue date	\$nil

f) New Board Members and Company Secretary

dorsaVi has also appointed new members to the board including Mr Herb Elliott as Chairman of dorsaVi, Mr Greg Tweedly as a director and Mr Brendan Case as company secretary, all new members have exceptional business experience and a strong and relevant network for the markets in which dorsaVi operates.

NOTE 23: COMPANY DETAILS

The registered office of the company is:

dorsaVi Ltd (formerly dorsaVi Pty Ltd)
Level 1, 120 Jolimont Road
East Melbourne Vic 3002

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 - 33, are in accordance with the *Corporations Act 2001*: and
 - (a) comply with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2013 and performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director: 
Andrew James Ronchi

Director: 
Michael Panaccio

Dated this 1 day of November, 2013

**DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
ABN 151 297 424 09**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DORSAVI LTD (FORMERLY DORSAVI PTY LTD)**

We have audited the accompanying financial report of *dorsaVi Ltd (formerly *dorsaVi Pty Ltd*)*, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

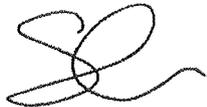
DORSAVI LTD (FORMERLY DORSAVI PTY LTD)
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DORSAVI LTD (FORMERLY DORSAVI PTY LTD)

Opinion

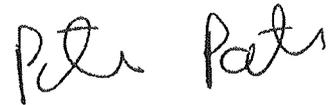
In our opinion:

- (a) the financial report of dorsaVi Ltd (formerly dorsaVi Pty Ltd) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.



S D WHITCHURCH

Partner



PITCHER PARTNERS

Melbourne

Date 1 November 2013