

## ANNUAL REPORT



2017





**dorsaVi Ltd**  
**(ABN: 15 129 742 409)**

**Annual Report**  
**For the Year Ended 30 June 2017**

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## CHAIRMAN'S REVIEW

Dear Shareholders

**I am delighted to present dorsaVi's Annual Report for the Financial Year 2016/2017. As global demand for sophisticated and accurate movement data continues to grow, dorsaVi's first to market position in medical grade wearable technology is now well established.**

This Financial Year was marked with important milestones demonstrating the continued market opportunities for data-driven wearable technology. The launch of myViSafe in the Australian, the US and UK market; the unveiling of our new generation ViMove2™ and subsequent launch in Australia; our successful projects with big brands such as Snowy Hydro, Heathrow Airport, Crown Resorts and shoe manufacturer Mizuno all illustrate our success in satisfying an unmet demand for meaningful movement data.

In December 2016 dorsaVi raised \$8.0M (before costs) to invest in further product development and growth in the major US market. Listening to market feedback in relation to our products is essential to ensure we remain market leaders in this fast-moving movement analytics space. Our team have made significant investment into both gathering market feedback and optimising our products to stay ahead of the curve. Our new mini sensors and app based functionality will allow the product to be truly scalable, improving start up time, reducing the training time for our sales teams and enabling the products to be sold on line.

Whilst outside the 2016/2017 Financial Year, our 510(k) clearance by the US FDA for the next generation ViMove2™ sensor in July, was a major regulatory milestone, paving the way for the product's anticipated launch in the UK and US in the 2018 Financial Year. ViMove2™ is designed to measure, record and analyse movement and muscle activity of the lower back, and, considering the significant size of the low-back pain market - it costs the US economy US\$100-\$200 billion annually - the product has mass market clinical opportunities.

With our first mover advantage in medical-grade wearable technology and the aforementioned milestones, our products continue to gain traction with major workforce employers, clinicians and elite sports clubs across all our three priority markets; the US, UK and Australia.

There are of course also macro factors which have supported our achievements and success throughout the year. This includes the increasing awareness within labour intensive industries who recognise the importance of preventing workplace injury; a greater focus on providing a safer workplace; and clinical networks looking to position themselves as innovators who offer best practice treatments with leading technologies.

Whilst dorsaVi differentiates itself as a data-driven company with innovative products assisting large workforce companies, athletes and clinicians, at our core we are a company making a difference in people's lives and their recovery journey.

Within the OHS market, dorsaVi captured two prestigious awards in the UK, being awarded the Health and Safety Solution of the Year at the London Construction Awards and the Product Innovation for myViSafe at the British Safety Industry Federation. The award winning ViSafe™ product is being used by new customers and repeat projects in large manual handling industries such as construction, aviation, transport and manufacturing. The launch of myViSafe™, an easy-to-use wearable sensor system that can be self-managed by employers, has also helped create an annuity revenue model for dorsaVi from the OHS market. The scalable nature of this product means it can be used by small and large corporations and it addresses the growing demand for employers to take preventative measures when it comes to workplace safety.

In terms of our clinical opportunities, we are pleased by the initial sales growth following ViMove2™'s Australian launch and we are in the planning stages of launching this highly intuitive product in the UK later this calendar year and US in the fourth quarter of FY18. ViMove™ has already demonstrated its effectiveness in reducing pain and improving clinical outcomes through a randomised controlled clinical trial, with the outcomes published in a peer reviewed journal. A subsequent health economic paper shows the merits for the use of this technology in reducing the costs associated with managing chronic low back pain. The US based clinical group Select Medical, who have over 2,000 sites in 46 states, have steadily increased their use of ViMove and now have the technology used at 45 of their clinical sites as part of their initial pilot study - well ahead of expectations.

In our sporting market, we continue to see strong demand for our technology among elite and professional teams across the sports spectrum, from the NBA to NFL and NHL. This market continues to provide practical product development insights for our new generation devices, as well as supporting dorsaVi's brand awareness.

We go into this new financial year with revenue growth in the major US market and new products that continue to lead our field. With the backing of peer reviewed clinical data, US reimbursement, US, European and Australian regulatory clearance, and market evidence from our product in the market, we are confident on continued global scale up.

On behalf of the board, I would like to thank CEO Andrew Ronchi and his team for their tireless efforts and passion for the company and for their dedication for helping our customers on their recovery journey.

To our shareholders, we are grateful for your continued support.

In closing, I would like to advise all of dorsaVi's employees, customers and shareholders that I have advised the Board of my intention to retire as Chairman and as a director of dorsaVi at the Company's Annual General Meeting (AGM) to be held on 23 November 2017. Mr Greg Tweedly, the current Chair of the Audit and Risk Committee, will succeed me as Chairman at the AGM. It has been a pleasure to be associated with dorsaVi.



Herb Elliott  
Chairman

## CEO OPERATIONAL REPORT

***"dorsaVi had a year of strong client retention, expansion and revenue growth in the US market. Launching the new app-based mini sensors and building annuity revenue into the OHS market have been critical steps forward for dorsaVi. This has been a year of significant product development, and I am pleased to share our highlights with shareholders and stakeholders."***

Andrew Ronchi, Chief Executive Officer

### Introduction

The year was marked with significant developments across dorsaVi's key geographic markets in the US, UK and Australia. Our first to market position in providing medical grade wearable technology continues to strengthen as demand for sophisticated and accurate movement data grows internationally.

As a medical grade wearable, cleared for sale by the FDA, TGA, and in Europe with the CE mark, we remain in a strong position to capitalise on this rising demand, differentiating ourselves from consumer wearables. Our expanding new customer base and strong retention with existing clients support this strong position. With regulatory approval behind us, our focus is now firmly on execution and scalability.

Whilst dorsaVi has a leading market position and there are high barriers to entry into the market, given our FDA, TGA, CE Mark and patent-protected technologies, product innovation remains a key ingredient to our success.

We continue to strive to be the world leader in movement analysis and technologies for the clinical, workers' compensation and elite sports markets. The introduction of our mini sensors used in myViSafe™ and ViMove2™ demonstrates our investment in innovation and we expect promising returns from these new products.

### Financial Summary

Our annual sales revenue was up 15% year-on-year in Australian dollar terms. Sales revenue would have increased 21% compared to the previous year if currency exchange rates had remained constant throughout the past financial year. Cost was down 6% year-on-year. Whilst macro political events in the UK influenced lower growth, and Australian sales growth was impacted by a hold on marketing campaigns ahead of the launch of MyViSafe and ViMove2™, we have been encouraged by the strong revenue growth in the US, which was up 161% on FY2016.

### Key Milestones



## **Business Overview**

### ***dorsaVi Workplace Solutions (OHS)***

dorsaVi's workplace solutions taps into the significant yet underserved Occupational Health and Safety (OHS) market worth US\$250 billion per annum in the US alone. As regulatory changes to workers' compensation incentivise workplaces to establish preventative practices for workplace injury, there is a growing demand for data-driven technologies to help improve workplace safety and reduce the rate of injuries. dorsaVi's ViSafe provides an OHS solution to determine, measure and mitigate high risk activities in the workplace, allowing senior management and Boards to make informed decisions based on data and facts rather than opinion only.

Our self-managed solution, myViSafe™, which was available commercially at the end of 2016, has introduced an annuity revenue stream into the ViSafe product portfolio. By providing a complete manual handling movement analysis training and education solution to employers, we have identified an unmet need for an interactive and personalised approach to manual handling assessment, compliance and workplace training.

The easy-to-use application of myViSafe™ means it is a scalable solution for small to large corporates. In Australia, the innovative solution is already used by Crown Resorts, Coles Liquor and Visy Board. In the UK Marston's Brewery have taken up myViSafe to assess onsite jobs and tasks and for continuous auditing of their manual handling workforce. In the US, dorsaVi has signed Weyerhaeuser in the logging industry, Workright NW for manual handling training, Innocor for the assessment of worker tasks in the manufacturing sector and Southern Towing in the shipping and freight area. These companies in each jurisdiction value the objective data that they are able to gather on their own employee's movements. Senior management are most interested in the ability to remotely monitor their workforce through an easy to use dashboard.

The market opportunity for a solution like myViSafe™ is significant. In the UK and Australia, we are operating a direct sales model. In the US we have an agent model to enable rapid revenue growth, coupled with direct sales representatives in key markets. Currently, dorsaVi has sales partnerships with seven agents across the country, and continues to offer centralised analysis ensuring data integrity and ownership remains within dorsaVi's control.

We are focused on scaling up sales programs and will continue to capitalise on our first mover advantage to address the growing demand for data-driven technologies to inform workplace decisions.



**REAL TIME.  
REAL CHANGE.**



**A self-managed solution for organisations to monitor employee movement**

Key benefits:

- Annuity revenue business model for dorsaVi that provides a scalable solution for small to large corporations
- Mass opportunity with a very large serviceable market due to attractive price point
- High volume solution with low touch support



## **dorsaVi Clinical**

A major milestone for dorsaVi was the launch of the new generation ViMove2™, which is designed to measure, record, and analyse movement of the lower back and lower limbs. This product has received 510(k) clearance from the US FDA, and following a pilot launch in Australia, is preparing for launch in the UK and US in FY2018. We continue to build on the strong foundations of ViMove™ with clinical trials showing our ViMove™ treatment protocol reduces pain by 45% and improves function by 73% in patients with chronic low back pain. A health economic paper released also shows that our ViMove™ treatment protocol delivers both improved clinical outcomes and reduced economic impact.

*"This evaluation has identified that motion-sensor biofeedback intervention using ViMove System was both more effective and less costly overall than the control from the societal perspective. Rarely are health care interventions found to be both more effective and less costly overall."*  
- Prof. Terry Haines, Monash University (Melbourne, Australia)

ViMove2™'s easier-to-use application provides significant benefits for physical therapist/physiotherapists, including a rapid start up time of 10 seconds (vs previous 3 minutes) and reducing the face-to-face training time for new clinical sites, reducing the training time from four hours to 10 minutes, with training now delivered online. This frees up sales staff for additional sales activity and is designed to enhance both the clinician's and the patient's experience.

An example of ViMove2™'s uptake in the Australian market is with the integrated physiotherapy clinic, Kieser. This physiotherapy chain signed a three-year deal in June 2017 for the uptake of 18 devices to be used across their nine clinics. We look forward to the opportunities ViMove2™ will bring to the US and UK clinical markets when launched.

In parallel, dorsaVi has seen continued growth in the number of US clinical sites which use our existing clinical products ViMove and ViPerform. The continued adoption of dorsaVi's technology into clinical centres, leading hospitals and universities/colleges is important in fulfilling the strategic plan of training the next generation of clinicians to use our technology in managing movement-related conditions.

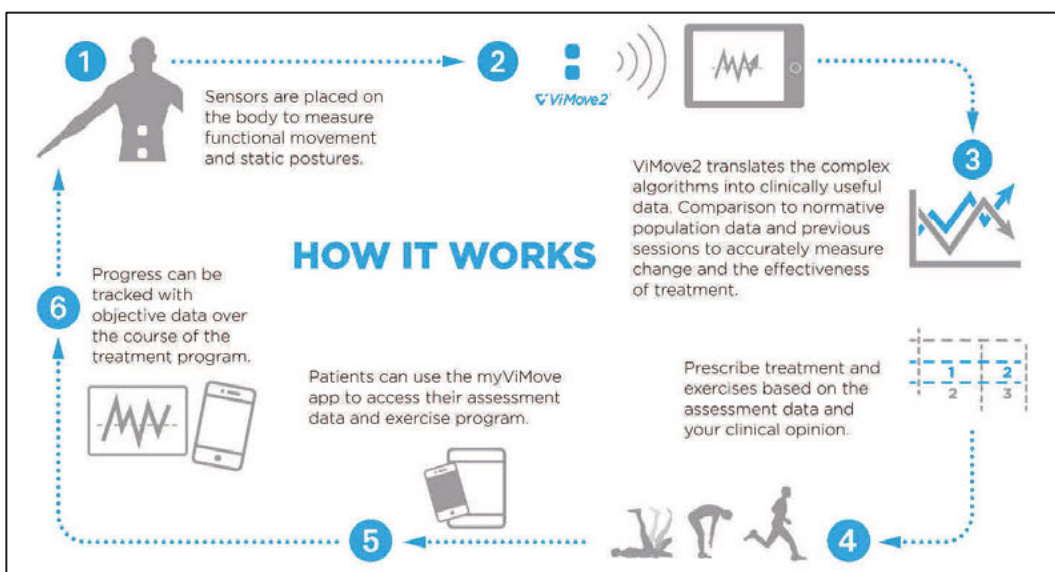
The US clinical opportunity for dorsaVi is significant, with more than 284,000 physical therapists in the country. Since launching ViMove and ViPerform in the US in 2014, the company has signed on 160 sites. Of note is our partnership with Select Medical which has 2,000 clinical sites across the US. Our initial pilot program was for an initial 20 sites, and has been scaled up early with ViMove and ViPerform already being used in 45 sites, with more expected throughout the coming year. The uptake by Select Medical is above initial expectations and is indicative of the demand from the market for data-driven technologies to assist in achieving best practice treatments for patients.

The ViMove2™ solution includes specialist modules:

- ViMove2™ Knee: Clinicians can quickly assess the stresses and strains placed on a patient's knee in real time, which has historically been very difficult to do.
- ViMove2™ Low Back: Rapidly gains a clearer picture by assessing lumbar spine movement in real-time, automatically prescribing exercises that are appropriate for patients based on the assessment data.
- ViMove2™ Run: Enables clinicians to quickly understand how a runner is moving, providing new insights on the quality of running.

Finally, the first retail opportunity for our technology sees leading sports shoe manufacturer Mizuno utilise the ViMove™ Run solution to better understand and inform shoe selection at a retail level in the UK. This pilot program illustrates the strong need for data-driven technologies and evidence for new data insights at a retail level.





### dorsaVi Elite Sports

The elite sports market continues to be an important segment for the company to explore product development and expansion, while also acting as a source of brand and product validation. The association with well-known sports teams and athletes has helped open new opportunities in other markets.

Over the past year, the company has continued to expand its ViPerform™ solution to more US sports customers, including National Basketball Association (NBA) team LA Lakers, National Football League (NFL) team and 2017 Super Bowl champion New England Patriots, as well as National Hockey League team Philadelphia Flyers. Other groups which have adopted the ViPerform™ technology include Ohio State University and the Marquette University basketball team.

The Athletic Movement Index is the most popular dorsaVi module in the US and allows sport administrators to benchmark their players against normalised data as an indicator to injury susceptibility and strength.

dorsaVi Elite Sports continues to expand organically and through strong word of mouth.

Andrew Ronchi  
Chief Executive Officer



**FINANCIAL REPORT**  
**For The Year Ended 30 June 2017**

**Financial Report  
For The Year Ended 30 June 2017**

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## **Directors' Report**

The directors present their report together with the financial report of the Group consisting of dorsaVi and the entities it controlled, for the financial year ended 30 June 2017 and auditor's report thereon.

### **Directors**

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

#### ***Herbert James Elliott – Non-executive Chairman:***

Chairman of dorsaVi Ltd and chairs the Nomination and Remuneration Committee. He was appointed to the Board on 29 October 2013.

#### ***Ashraf Attia - Non-executive Director:***

Mr. Attia serves on the Audit and Risk Committee. He was appointed to the Board on 14 July 2008.

#### ***Michael Panaccio – Non-executive Director:***

Dr. Panaccio serves on the Audit and Risk Committee and the Nomination and Remuneration Committee. He was appointed to the Board on 16 May 2008.

#### ***Gregory John Tweedly – Non-executive Director:***

Mr. Tweedly chairs the Audit and Risk Committee and serves on the Nomination and Remuneration Committee. He was appointed to the Board on 29 October 2013.

#### ***Andrew Ronchi – Chief Executive Officer, Director:***

Dr. Ronchi was appointed to the Board on 18 February 2008.

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

### **Principal Activities**

The principal activity of dorsaVi Ltd and its controlled entities during the financial year was distribution of innovative motion analysis technologies. These technologies are commercialised via license, sale or fixed fee consultancy. There has been no significant change in the nature of these activities during the financial year.

### **Results**

The consolidated loss after income tax attributable to the members of dorsaVi Ltd was \$3,876,248 (2016: \$5,237,102).

### **Review of Operations**

dorsaVi Ltd has been listed on the ASX since December 2013.

The Group consists of four entities:

1. dorsaVi Ltd, the listed Parent group;
2. dorsaVi Europe Ltd, a wholly owned subsidiary incorporated and domiciled in the UK;
3. dorsaVi USA, Inc., a wholly owned subsidiary incorporated and domiciled in the US; and
4. Australian Workplace Compliance Pty Ltd, a wholly owned subsidiary domiciled in Australia.

Revenue for the 2017 financial year was \$3,897,882 (2016: \$3,238,138) predominantly driven by 15% (2016: 123%) growth in sales revenue to \$3,466,027 (2016: \$3,019,928) and increased grant income.

The loss from continuing operations after income tax for the 2017 financial year was \$3,876,248 (2016: \$5,237,102), a reduction of 26% on the 2016 financial year.

dorsaVi Ltd has continued to focus on building its sales revenue and customer base in each of its three geographic locations and, at the same time, controlling cost. Whilst sales revenue grew by 15% year on

year, total expenditure reduced by \$538,376 (6% year on year) mainly due to a reduction in employee benefits expense and reductions in professional and consultancy expenditure as regulatory requirements become more streamlined.

### **OHS Services**

During 2017 dorsaVi continued the development of ViSafe and the launch of myViSafe with myViSafe starting to bring annuity revenue into the OHS business model. The need for these products continues to be validated by major corporates undertaking assessments with a high proportion of these corporations signing on for repeat and larger contracts. Significant new and repeat customers have included Coles Liquor, Crown Resorts, Visy Board, Snowy Hydro, Transport for London, Heathrow Airport, Network High Speed Rail, Siemens, Intel, Innocor, Weyerhaeuser and Chilton Logging.

Revenue for OHS Consultancy, utilising ViSafe technology, was \$1,911,091 for the 2017 financial year up 10% over the 2016 financial year (\$1,737,388).

### **Clinical and Sports Product**

By 30 June 2017 the Group had over 400 devices in the market globally. This represented a 33% increase over the 300 devices in the market at 30 June 2016. The investment in, and release of, ViMove2 in the Australian market during 2017 and the progressive release in the US and UK over the 2018 financial year is expected to increase the rate of device take up and lower the cost of goods sold.

Revenue from the licensing and sale of devices was \$1,554,936 for the 2017 financial year up 21% over the 2016 financial year (\$1,282,540).

The directors expect global revenue to continue to grow year on year. Factors impacting and driving this growth include: the effectiveness of the global marketing plan; additional sales generation in the OHS and clinical markets in Australia, Europe and US markets; shortening of the sales lead times; and the rate of uptake of new generation product.

Cost of sales increased in the 2017 financial year to \$1,068,139 (2016: \$841,416) in line with expectations and largely as a result of the increase in OHS assessments.

Employee benefits expense for the 2017 financial year was \$4,302,643 (2016: \$4,762,296), a 10% decrease year on year. Employee benefits expense represented 50% of the total expenses for the Group for the 2017 financial year (2016: 52%).

The material business risks that are likely to have an effect on the financial prospects of the Group include:

- Over time, dorsaVi may be subjected to increased competition if potential competitors develop new technologies or make scientific or systems advances that compare with or compete with dorsaVi's products.
- In the medical sector (but not the Elite Sports or OHS sectors), sales and adoption rates of dorsaVi's system are, in part, likely to be influenced by the availability and level of reimbursement from government and/or insurance payers. Whilst the dorsaVi's products already benefit from reimbursement in some circumstances, there is no guarantee that the use of dorsaVi's products will receive further reimbursement.
- General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the dorsaVi's activities, as well as on its ability to fund those activities. In particular, much of its future income is expected to come from the US and European markets and therefore dorsaVi's activities will be affected by currency exchange fluctuations.
- dorsaVi is not currently profitable. Proceeds from the initial float in the 2014 financial year and subsequent capital raisings were and are primarily being used to fund, both, the commercial rollout of dorsaVi's products and continued product development. There is no guarantee that the commercial rollout will result in profitability for the Group. If the commercial roll out is slower or less successful than planned, dorsaVi may need to raise additional capital in the future.

## **Significant Changes in the State of Affairs**

The following changes in the state of affairs occurred during the period:

- On 18 August 2016, dorsaVi Ltd announced that it had entered into a partnership with a leading US-based sports injury expert to develop an Athletic Movement Index (AMI) to be used on the ViPerform platform to optimise athletic performance in college and school athletes.
- On 29 September 2016, dorsaVi Ltd announced that they had been awarded a Victorian Government Future Industries grant of \$350,000 to assist in the implementation, over an eighteen-month period ended 28 February 2018, of new manufacturing technologies and processes.
- On 27 October 2016, dorsaVi Ltd announced the launch of a US based patient registry to recruit low back pain patients to produce a series of medial publications and to form part of dorsaVi's reimbursement strategy for the US market.
- On 29 November 2016, at dorsaVi Ltd's annual general meeting, shareholders approved the grant of 900,000 performance rights to the Chief Executive Officer, Andrew Ronchi pursuant to the dorsaVi Employee Share Ownership Plan (ESOP). The performance rights are subject to performance and vesting conditions. The performance rights will be granted to Dr Ronchi before 29 November 2017 but will not be fully vested until 29 November 2019 if performance and vesting conditions are fully satisfied. The performance rights were granted at a zero-exercise price.
- On 6 December 2016, dorsaVi Ltd launched myViSafe, a complete manual handling movement analysis training and education solution for the workplace. Crown Resorts Ltd will be the first to manage its manual handling risk using myViSafe.
- On 6 December 2016, dorsaVi Ltd announced that it had signed a 12-month distribution agreement with Connect Healthcare Collaboration. Under this agreement Connect will act a sales agent for the dorsaVi workplace solution, ViSafe.
- On 13 December 2016, dorsaVi Ltd issued 10,869,565 fully paid ordinary shares to various institutional and sophisticated investors under a private placement. The shares were issued at \$0.46 per share and raised \$5,000,000 before costs.
- On 13 December 2016, dorsaVi Ltd also announced the offer, to eligible shareholders, of ordinary shares under a Share Purchase Plan (SPP) at the same price offered to institutional and sophisticated investors. The SPP, which closed on 19 January 2017, was oversubscribed and resulted in the issue of 2,173,850 fully paid ordinary shares at \$0.46 per share raising \$999,971 before costs.
- On 19 December 2016, dorsaVi Ltd announced that it had signed a twelve-month agreement with Heathrow Airport to assist it with its plans to implement new manual handling aids across all its terminals.
- On 20 January 2017, dorsaVi Ltd shareholders, at a general meeting, approved the issue of 4,347,828 fully paid ordinary shares, at \$0.46 per share, to major shareholder, Starfish Technology Fund II Trust A and Starfish Technology Fund II Trust B. This share issue raised \$2,000,001.
- On 23 February 2017, dorsaVi Ltd announced that the UK's Network Rail (High Speed) Ltd would use dorsaVi's ViSafe product to enhance its understanding of movement associated with manual work by its overhead contact system and track maintenance teams.
- On 4 May 2017, dorsaVi Ltd announced that Chinese Patent Application 201280017642.1 had been granted. This is the first patent granted for the automatic detection of whether a person is standing, sitting, lying down or engaged in dynamic activity. Patent applications covering this intellectual property are undergoing review on other geographies.
- On 11 May 2017, dorsaVi Ltd announced that Snowy Hydro Ltd would undertake an extensive program of ViSafe assessments to provide them with a better understanding of the movement profiles associated with civil and maintenance roles and to enable informed modification of related plant and equipment.
- On 15 May 2017, dorsaVi Ltd announced the commercial release of its ViMove2 product featuring smaller, faster and easier to use sensors, together with a simplified software interface, improved reporting tools, out of clinic monitoring, a comprehensive exercise video library and a patient app.
- On 15 May 2017, dorsaVi Ltd granted of 1,250,000 options to a senior executive and 50,000 to an employee pursuant to the dorsaVi Employee Share Ownership Plan (ESOP). The options have an exercise price of \$0.33 and expire 5 years from the date of vesting. 550,000 of the options vested on grant date. 750,000 of the options are subject to performance and vesting conditions over three years and will not be fully vested until the year ended 30 June 2020 if performance and vesting conditions are fully satisfied.
- On 5 June 2017, dorsaVi Ltd granted of 2,849,000 performance rights to five senior executives and three employees pursuant to the dorsaVi Employee Share Ownership Plan (ESOP). The performance rights were granted at a zero-exercise price. 250,000 of the performance rights vested on 1 July 2017. 2,599,000 of the performance rights are subject to performance and vesting conditions over three years and will not be fully vested until the year ended 30 June 2020 if performance and vesting conditions are fully satisfied.

- On 14 June 2017, dorsaVi Ltd announced that Kieser Australia had signed a three-year agreement to use ViMove2 across its network of nine centres located in Melbourne and Sydney.

#### **After Balance Date Events**

With the exception of the following, no matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- On 14 July 2017, dorsaVi Ltd received 510(k) Clearance by the US Food and Drug Administration (FDA) for the next generation ViMove2 sensor designed to measure, record and analyse movement and muscle activity of the lower back.
- On 27 July 2017, the Remuneration Committee and the Board completed their assessments of the performance of key management personnel for the year ended 30 June 2017. Of the 795,666 performance rights and performance options previously granted in respect of that year it was confirmed that performance outcomes would result in 407,363 (51%) of these rights and options vesting. In accordance with performance agreements these rights and options will vest on 1 October 2017 and 1 January 2018.
- On 14 August 2017, dorsaVi Ltd issued 250,000 fully paid ordinary shares, at \$nil per share, to employees, under the dorsaVi ESOP. The issue of these shares arose on the vesting of 250,000 performance rights previously granted as a result of those employees meeting the performance conditions attached to the rights.
- On 28 August 2017, dorsaVi Ltd announced that Herb Elliott had advised the Board of his intention to retire as Chairman and as a director of dorsaVi at the Company's Annual General Meeting (AGM) to be held on 23 November 2017. Mr Greg Tweedly, the current Chair of the Audit and Risk Committee, will succeed Herb Elliott as Chairman at the AGM.

#### **Likely Developments**

The following likely developments in the business of the Group are expected to influence its financial results in the near term:

- The Group expects continued growth in total revenue, year on year, in the Australian, Europe and US markets from its OHS consultancy and Clinical revenue streams.
- The Group also expects to increase, year on year, the annuity revenue proportion of total OHS and Clinical revenue.
- The Group expects that, the new product released into the Australian market during 2017, will be progressively released into the UK and US markets during the 2018 financial year.

#### **Environmental Regulation**

The Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

#### **Dividend Paid, Recommended and Declared**

No dividends were paid, declared or recommended since the start of the financial year.

#### **Equity Instruments**

Performance rights and options over unissued ordinary shares granted by dorsaVi Ltd during or since the financial year end to executives were as follows:

<b>Executives</b>	<b>Equity Instrument</b>	<b>Granted during the Year</b>
A Ronchi	Performance Rights	900,000
M Blackburn	Performance Rights	450,000
M Connell	Performance Rights	300,000
M Heaysman	Performance Rights	500,000
M May	Performance Rights	675,000
M Umer	Performance Rights	150,000
Z Whyatt	Options	1,250,000



There were no performance rights or options over unissued ordinary shares granted to non-executive directors during or since the financial year end. Further details regarding options granted as remuneration are provided in the Remuneration Report below.

### **Shares under Option**

Unissued ordinary shares of dorsaVi Ltd under option at the date of this report are as follows:

<b>Date Options Granted</b>	<b>Number of Unissued Ordinary Shares under Option</b>	<b>Issue Price of Shares</b>	<b>Expiry Date of the Options</b>
2 September 2014	100,000	\$0.40	1 September 2019
24 March 2016	200,000	\$0.40	24 March 2021
15 May 2017	550,000	\$0.33	15 May 2022
15 May 2017	133,333	\$0.33	1 October 2022
15 May 2017	133,333	\$0.33	1 October 2023
15 May 2017	133,334	\$0.33	1 October 2024
15 May 2017	350,000	\$0.33	1 July 2024
	<u>1,600,000</u>		

No option holder has any right under the options to participate in any other share issue of the Group.

### **Shares Issued on Exercise of Options**

To the date of this report, there have been no shares issued during or since the end of the year as a result of the exercise of an option over unissued shares.

### **Shares Subject to Performance Rights**

Unissued ordinary shares of dorsaVi Ltd subject to performance rights at the date of this report are as follows:

<b>Date Performance Rights Granted</b>	<b>Number of Unissued Ordinary Shares subject to Performance Rights</b>	<b>Issue Price of Shares</b>	<b>Vesting Date of Performance Rights</b>
5 June 2017	250,000	-	1 July 2017
5 June 2017	662,334	-	1 October 2017
5 June 2017	622,334	-	1 October 2018
5 June 2017	622,332	-	1 October 2019
5 June 2017	1,592,000	-	1 July 2019
	<u>3,749,000</u>		

A performance right holder does not have any right to participate in any other share issue of the Group until the performance rights vest and are converted to ordinary shares.

### **Shares Issued on Vesting of Performance Rights**

Since 30 June 2017 and to the date of this report, 250,000 shares were issued on the vesting of 250,000 performance rights. There remain 3,499,000 performance rights that do not convert to issued shares unless performance conditions are met and they vest.

### **Information on Directors and Company Secretary**

#### ***Herbert James Elliott, AC, MBE, MA (Cantab) – Non-executive Chairman***

Herb Elliott is the Chairman of dorsaVi Ltd and chairs the Nomination and Remuneration Committee. He was appointed to the Board on 29 October 2013.

Herb has been a chairman of Telstra Foundation Limited (March 2002 to December 2010). Herb is a former director of Ansell Limited (February 2001 to October 2006). Herb is a former director of Fortescue Metals Group Limited (ASX: FMG). He was a director of Fortescue from October 2003 and was Group chairman from 2007 to 2011. He 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.

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.

No other directorships of listed companies were held during the three years to 30 June 2017.

***Ashraf Attia, BSc (Eng)(Hons), MSc (Biomed. Eng), Dip (Mktg), FAICD – Non-executive Director***

Ash Attia serves on the Audit and Risk Committee. He was appointed to the Board on 14 July 2008.

Ash has had senior management experience in multinational operations for over 25 years within the medical devices, biotechnology and diagnostics industries. He was most recently the Managing Director, Asia Pacific of St Jude Medical/Thoratec, a Group with global revenues of over 5.5 billion, which manufactures and sells cardiac assist devices for use by patients with heart failure. Ash has also consulted to several organisations in the areas of business development, strategic marketing, sales and marketing management, and distribution strategies.

No other directorships of listed companies were held during the three years to 30 June 2017.

***Michael Panaccio, BSc (Hons), MBA, PhD, FAICD – Non-executive Director***

Michael Panaccio serves on the Audit and Risk Committee and the Nomination and Remuneration Committee. He was appointed to the Board on 16 May 2008.

Michael is one of the founders of Starfish Ventures Pty Ltd, an Australian based venture capital manager. He was formerly an Investment Manager with JAFCO Investment (Asia Pacific). Prior to joining JAFCO, Michael was Head of the Department of Molecular Biology at the Victorian Institute of Animal Sciences. Michael has previously been a director of numerous technology businesses in Australia and the US including ImpediMed Ltd (resigned August 2016), SIRTEx Medical Ltd, Protagonist Therapeutic Inc and Energy Response Pty Ltd.

With the exception of ImpediMed Ltd, no other Directorships of listed companies were held during the three years to 30 June 2017. Michael is also a director of Starfish Ventures Pty Ltd, MuriGen Therapeutics Pty Ltd, Armaron Bio Ltd, Ofidium Pty Ltd, Mimetica Pty Ltd and Cylite Pty Ltd.

***Gregory John Tweedly, B. Com, CPA, GAICD – Non-executive Director***

Greg Tweedly chairs the Audit and Risk Committee and serves on the Nomination and Remuneration Committee. He was appointed to the Board on 29 October 2013.

Greg is a Director of Melbourne Health, Chair of the Personal Injury Education Foundation 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 Emergency Services and Telecommunications Authority, 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.

No other directorships of listed companies were held during the three years to 30 June 2017.

***Andrew Ronchi, B. App. Sci. (Physio), PhD (RMIT Eng), GAICD – Chief Executive Officer, Director***

Andrew Ronchi was appointed to the Board on 18 February 2008.

Before co-founding dorsaVi, Andrew was a practising physiotherapist both at an AFL club and in private practice. He is a founding partner in two physiotherapy centres, the largest of these employing 28 staff (including 13 physiotherapists). Prior to the formation of dorsaVi, Andrew undertook a PhD in Computer and Systems Engineering, investigating the reliability and validity of transducers for measuring lumbar spine movement. As CEO of dorsaVi Ltd, Andrew is responsible for all aspects of the Group's operations.

No other directorships of listed companies were held during the three years to 30 June 2017.

**Brendan Case, MComLaw (Melb), BEc, CPA, Grad Dip App Fin, Dip FP, FCIS**

Brendan Case has served as dorsaVi Ltd's secretary since October 2013 and 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.

**Directors' Meetings**

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	<b>Board of Directors</b>		<b>Audit and Risk Committee</b>	
	<b>Eligible to Attend</b>	<b>Attended</b>	<b>Eligible to Attend</b>	<b>Attended</b>
Mr Herb Elliott	8	8	-	-
Mr Ashraf Attia	8	5	2	2
Dr Michael Panaccio	8	8	2	2
Mr Greg Tweedly	8	8	2	2
Dr Andrew Ronchi	8	8	-	-

	<b>Nomination and Remuneration Committee</b>	
	<b>Eligible to Attend</b>	<b>Attended</b>
Mr Herb Elliott	2	2
Dr Michael Panaccio	2	2
Mr Greg Tweedly	2	2

**Directors' Interest in Shares, Performance Rights or Options as at 30 June 2017**

<b>Names of Holders</b>	<b>Ordinary Shares of dorsaVi Ltd</b>
Michael Panaccio	72,421,255
Andrew James Ronchi	8,331,546
Ashraf Attia	211,139
Herbert James Elliott	100,097
Gregory John Tweedly	86,347

The directors have no interests in performance rights or options over shares in dorsaVi Ltd as at the date of this report with the exception of Andrew Ronchi who has an interest in 900,000 performance rights which, subject to the satisfaction of performance conditions, can vest into shares progressively over the next three financial years.

**Indemnification and Insurance of Directors and Officers**

The Group has insured its Directors, Secretary and executive officers for the financial year ended 30 June 2017. Under the Group's Directors and Officers Liability Insurance Policy, the Group cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium.

The Group also indemnifies every person who is or has been an officer of the Group against any liability (other than for legal costs) incurred by that person as an officer of the Group where the Group requested the officer to accept appointment as Director.

To the extent permitted by law and subject to the restrictions in section 199A and 199B of the *Corporations Act 2001*, the Group indemnifies every person who is or has been an officer of the Group against reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Group.

**ASIC Instrument on Rounding of Amounts**

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

**Indemnification and Insurance of Auditors**

No indemnities have been given or insurance premiums paid during or since the end of the financial year for any auditors of the Group.

### **Proceedings on behalf of the Group**

No person has applied for leave of Court to bring proceedings on behalf of the Group.

### **Auditor's Independence Declaration**

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

### **Non-audit Services**

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners Melbourne, network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by dorsaVi Ltd and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for dorsaVi Ltd or any of its related entities, acting as an advocate for dorsaVi Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of dorsaVi Ltd or any of its related entities.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Amounts Paid and Payable to Pitcher Partners Melbourne for Non-audit Services:</b>		
Taxation and Other Compliance Services	26,831	24,595
<b>Total Remuneration for Non-audit Services</b>	<u>26,831</u>	<u>24,595</u>

## Remuneration Report (Audited)

The Directors present the Group's 2017 Remuneration Report, which details the remuneration information for dorsaVi Ltd's, Non-Executive Directors, Executive Directors and other Key Management Personnel.

### A. Details of the Key Management Personnel

	Period of Responsibility	Position
<b>Directors</b>		
Herb Elliott	Full Year	Chairman, Non-Executive Director
Ashraf Attia	Full Year	Independent, Non-Executive Director
Michael Panaccio	Full Year	Non-Executive Director
Greg Tweedly	Full Year	Independent, Non-Executive Director
<b>Executive Director</b>		
Andrew Ronchi	Full Year	Chief Executive Officer/Director
<b>Executives</b>		
Damian Connellan	Full Year	Chief Financial Officer
Megan Connell	Full Year	Chief Marketing Officer
Meagan Blackburn	Full Year	Chief Innovation Officer
Muhammad Umer	Full Year	Software Architect
Matthew May	Full Year	Sales Manager, Australia
Zoë Whyatt	Full Year	Chief Operating Officer, Europe
Mark Heaysman	Full Year	Chief Operating Officer, USA

### B. Remuneration Policies

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors is responsible for making recommendations to the Board on the remuneration arrangements for each Non-Executive Director (NED), Executive Director/Chief Executive Officer (CEO) and each Executive reporting to the CEO. The current members of the Nomination and Remuneration Committee are: Herb Elliott, Michael Panaccio and Greg Tweedly.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality, high performing directors and executive team. In determining the level and composition of executive remuneration, the Nomination and Remuneration Committee may also engage external consultants to provide independent advice.

The primary responsibility of the Nomination and Remuneration Committee is to review and recommend to the Board:

- Executive remuneration and incentive policies and practices;
- The Executive Director's total remuneration having regard to remuneration and incentive policies;
- The design and total proposed payments from any executive incentive plan and reviewing the performance hurdles for any equity based plan;
- The remuneration and related policies of Non-Executive Directors for serving on the board and any committee (both individually and in total); and
- Any other responsibilities as determined by the Nomination and Remuneration Committee or the Board from time to time.

#### Remuneration Strategy

The remuneration strategy of dorsaVi Ltd is designed to attract, motivate and retain Employees, Executives and Non-Executive Directors in Australia, the United States and Europe by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, the key objectives of the Group's reward framework are to:

- Align remuneration with the Group's business strategy;
- Offer an attractive mix of remuneration benchmarked against the applicable market's region and country practices;
- Provide strong linkage between individual and Group performance and rewards;
- Offer remuneration based on internal equity with other employees and individual skill matching the role requirements with their experience and responsibilities;
- Align the interests of executives and shareholders and share the success of the Group with the employees; and
- Support the corporate mission statement, values and policies through the approach to recruiting, organizing and managing people.

### **Remuneration Structure**

In accordance with best practice corporate governance, the structure of the non-executive directors and executive remuneration is separate and distinct.

#### **Non-Executive Director Remuneration Structure**

The ASX Listing Rules specify that an entity must not increase the total aggregate amount of remuneration of Non-Executive Directors without the approval of holders of its ordinary securities.

The Board, and since its inception the Nomination and Remuneration Committee, considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Group's Board. This remuneration is reviewed with regard to market practice and Directors' duties and accountability.

The constitution provides that the Non-Executive Directors are entitled to remuneration for their services as determined by the Board up to an aggregate limit of \$500,000 (which may be increased with Shareholder approval). The Group has obtained advice about remuneration levels for Directors of listed companies and, based on that advice, set the following annual non-executive Directors' fees:

- Chairman: \$75,092 plus superannuation;
- Other Directors: \$50,000 plus superannuation; and
- Further fees for acting as chairman of a committee: \$5,000 plus superannuation per committee.

The Group determines the maximum amount for remuneration, including thresholds for share-based remuneration for Executives, by resolution. The remuneration received by the Non-Executive Directors for the year ended 30 June 2017 is detailed in Table 1 of this section of the report.

Non-executive directors receive fees and do not receive options or bonus payments.

#### **Executive Remuneration Structure**

The Group provides a remuneration package that incorporates both cash based remuneration and share-based remuneration. The contracts for service between the Group and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning director and shareholder interests.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation); and
- Variable remuneration – short term incentives (STI) in the form of an annual incentive plan and long-term equity incentive (LTI)

#### **Fixed Remuneration**

##### **Objective**

Fixed remuneration is reviewed annually by the Board / Nomination and Remuneration Committee. The process consists of a review of the Group and individual performance, relevant comparative remuneration from external and internal sources and where appropriate, external advice on policies and practices.

### **Structure**

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and allowances (such as motor vehicle allowance). It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

### **Variable Remuneration – Short-Term Incentive (STI)**

#### **Objective**

The key objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

#### **Structure**

Any STI granted depend on the extent to which specific targets set at the beginning of the financial year or on appointment are met. The Key Milestones or Key Performance Indicators (KPI's) cover individual, team and organisational financial measures of performance. Typically included are measures such as: achieving sales/revenue targets and/or growth, and meeting Group compliance requirements. These measures were chosen as they represent the key drivers for the short-term success of dorsaVi.

The Group has predetermined benchmarks that must be met in order to trigger STI under the STI scheme. Either on an annual or financial year basis, after consideration of performance against the Key Milestones or KPIs, the Nomination and Remuneration Committee, in line with their responsibilities determine the amount, if any, of the STI to be awarded to each Executive. This process usually occurs within one month after the trigger date. Typically, STI awards are made under the Employee Share Ownership Plan (ESOP) and are delivered in the form of share options or performance rights. Each option entitles the holder to one fully paid ordinary share of dorsaVi Ltd at an exercise price to be determined in accordance with the ESOP or by determination by the Nomination and Remuneration Committee. Each performance right vested entitles the holder to one fully paid ordinary share of dorsaVi Ltd at \$nil price.

The annual STI available for executives across the Group are subject to the approval of the Nomination and Remuneration Committee.

### **Variable Remuneration – Long-Term Incentive (LTI)**

#### **Objective**

The objectives of providing long term incentives are: to motivate and retain key dorsaVi employees; to attract quality employees; to create commonality of purpose between dorsaVi and its employees; to add wealth for all shareholders of the Group through the motivation of dorsaVi's employees; and by allowing dorsaVi's employees to share the rewards of the success of dorsaVi through the acquisition of, or entitlements to, shares and options.

#### **Structure**

The Board offers LTIs to reward the performance of employees, which is in alignment with shareholders' interests and the long-term benefit of the Group. LTI awards are made under the Employee Share Ownership Plan (ESOP) and are delivered in the form of share options, performance rights or loan for shares. Each option entitles the holder to one fully paid ordinary share of dorsaVi Ltd at an exercise price to be determined in accordance with the ESOP or by determination by the Nomination and Remuneration Committee. Each performance right vested entitles the holder to one fully paid ordinary share of dorsaVi Ltd at \$nil price.

Where an LTI participant ceases employment prior to vesting in their award, the options and unvested performance rights are forfeited unless the Nomination and Remuneration Committee applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.

Options and performance rights were granted, under the ESOP plan, during the 2017 Financial Year. See Table 6.



## Employment Agreements

The Group has entered into Employment Agreements with all executives, including the CEO. The Group may terminate the Executive's Employment Agreements by providing at least one month's written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Group may terminate the contract at any time without notice if serious misconduct has occurred.

The notice periods for key management personnel are as follows:

<b>Name</b>	<b>Notice Period</b>
Andrew Ronchi	6 months
Damian Connellan	3 months
Matthew May	3 months
Muhammad Umer	3 months
Mark Heaysman	3 months
Meagan Blackburn	8 weeks' notice until 3 years of continuous employment. One additional week for each completed year of continuous employment up to a maximum of 12 weeks' notice.
Zoë Whyatt	12 weeks' notice
Megan Connell	8 weeks' notice

## CEO Remuneration

Under Andrew Ronchi's employment agreement his fixed remuneration is \$250,000 per annum plus superannuation giving a total of \$273,750 inclusive of superannuation. In addition, Andrew Ronchi has, as approved at a meeting of shareholders, been granted 900,000 performance rights. The vesting of these performance rights is subject to performance conditions over three years but will not fully vest before 29 November 2019. None of these performance rights vested during the year ended 30 June 2017.

Upon termination of Andrew Ronchi's employment contract, he will be subject to a restraint of trade for a maximum of 12 months.

## C. Details of Key Management Personnel Remuneration

### (a) Non-Executive Directors' Remuneration: Table 1

	Short-Term				Post Employment			Long-term	Share-based Payments	TOTAL	Total Performance Related	Options as % of Total
	Salary Fees	Cash Bonus	Non-Monetary	Other	Superannuation	Retirement Benefits	Termination Benefits	Incentive Plans	Equity			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Non-Executive Directors</b>												
H Elliott	74,341	-	-	-	7,062	-	-	-	-	81,403	-	-
A Attia	54,450	-	-	-	5,173	-	-	-	-	59,623	-	-
M Panaccio (i)	54,120	-	-	-	-	-	-	-	-	54,120	-	-
G Tweedly	49,912	-	-	-	9,710	-	-	-	-	59,622	-	-
	232,823	-	-	-	21,945	-	-	-	-	254,768	-	-

(i) Michael Panaccio provides his services via Starfish Technology Fund II, LP.

	Short-Term				Post Employment			Long-term	Share-based Payments	TOTAL	Total Performance Related	Options as % of Total
	Salary Fees	Cash Bonus	Non-Monetary	Other	Superannuation	Retirement Benefits	Termination Benefits	Incentive Plans	Equity			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Non-Executive Directors</b>												
H Elliott	67,583	-	-	-	6,420	-	-	-	-	74,003	-	-
A Attia	45,000	-	-	-	3,919	-	-	-	-	48,919	-	-
M Panaccio (i)	49,163	-	-	-	-	-	-	-	-	49,163	-	-
G Tweedly	49,500	-	-	-	4,311	-	-	-	-	53,811	-	-
	211,246	-	-	-	14,650	-	-	-	-	225,896	-	-

(i) Michael Panaccio provides his services via Starfish Technology Fund II, LP.

**dorsaVi Ltd and controlled entities**  
**ABN: 15 129 742 409**

**(b) Executives' Remuneration: Table 2**

	Short-Term				Post Employment			Long-term	Share-based Payments	TOTAL	Total Performance related	Share based Payments as % of Total
2017	Salary Fees	Cash Bonus	Non-monetary	Other	Superannuation	Retirement Benefits	Termination Benefits	Incentive Plans	Equity (ii)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Executive Directors</b>												
A Ronchi	249,999	-	-	-	19,616	-	-	-	97,402	367,017	-	26.5
<b>Executives</b>												
M Blackburn	205,000	-	-	-	19,475	-	-	-	8,560	233,035	-	3.7
D Connellan	109,289	-	-	-	-	-	-	-	-	109,289	-	-
M Connell	119,013	-	-	-	11,306	-	-	-	4,410	134,729	-	3.3
M Heaysman (i) (iii)	281,039	-	-	68,062	9,738	-	-	-	33,629	392,468	-	8.6
M May	205,000	-	-	-	19,475	-	-	-	39,252	263,727	-	14.9
M Umer	150,000	-	-	-	14,250	-	-	-	3,378	167,628	-	2.0
Z Whyatt (i) (iv)	134,431	-	-	16,659	4,033	-	-	-	104,254	259,377	-	40.2
	1,453,771	-	-	84,721	97,893	-	-	-	290,885	1,927,270	-	15.1
(i)	Other benefits include the payment of a relocation allowance and certain health and disability related insurance premiums as is customary in the US and UK markets.											
(ii)	Share based payments comprise mixture of the grant of options, performance rights, and, loan shares backed by an interest free, no-recourse loan. For accounting purposes, all these equity instruments are valued the same as options.											
(iii)	Converted into AUD from USD at the average exchange rate throughout 2016/2017 (1 AUD = 0.7545 USD).											
(iv)	Converted into AUD from GBP at the average exchange rate throughout 2016/2017 (1 AUD = 0.5951 GBP).											

	Short-Term				Post Employment			Long-Term	Share-based payments	TOTAL	Total Performance Related	Share based Payments as % of Total
2016	Salary Fees	Cash Bonus	Non-monetary	Other	Superannuation	Retirement Benefits	Termination Benefits	Incentive Plans	Equity (vi)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Executive Directors</b>												
A Ronchi	231,250	-	-	-	19,308	-	-	-	-	250,558	-	-
<b>Executives</b>												
J Whelan	52,307	-	-	-	4,801	-	-	-	-	57,108	-	-
D Connellan (ii)	110,800	-	-	-	-	-	-	-	-	110,800	-	-
D Wildermuth (v) (viii)	221,539	78,264	-	523	23,685	-	-	-	-	324,011	24.2	-
M Connell (iii) (xi)	10,897	-	-	-	1,035	-	-	-	-	11,932	-	-
M Blackburn (i)	144,442	-	-	-	13,722	-	-	-	-	158,164	-	-
M Umer (iv)	31,250	-	-	-	2,969	-	-	-	863	35,082	-	2.5
M May	196,004	-	-	-	18,620	-	-	-	2,466	217,090	-	1.1
Z Whyatt (vii)	162,800	-	-	-	4,884	-	-	-	26,152	193,836	-	13.5
J Kowalczyk (v) (viii) (ix)	251,728	-	-	42,557	11,534	-	-	-	15,326	321,145	-	4.8
M Heaysman (x)	180,000	20,000	-	67,939	17,652	-	-	-	71,504	357,095	5.6	20.0
	1,593,017	98,624	-	111,019	118,210	-	-	-	116,311	2,036,821	4.8	5.7
(i)	Appointed 1 July 2015.											
(ii)	Appointed 13 October 2015.											
(iii)	Appointed 24 May 2016.											
(iv)	Appointed 15 April 2016.											
(v)	Other benefits for US based employees include the payment of certain health and disability related insurance premiums as is customary in the US market. This arrangement started in Q1 2014/2015.											
(vi)	Share based payments comprise loan shares granted under the dorsaVi Ltd's ESOP and are backed by an interest free, no-recourse loan. For accounting purposes, these are valued the same as options.											

- (vii) Converted into AUD from GBP at the average exchange rate throughout 2015/2016 (1 AUD = 0.4914 GBP).
- (viii) Converted into AUD from USD at the average exchange rate throughout 2015/2016 (1 AUD = 0.7283 USD).
- (ix) Other benefits include post-employment costs associated with resignation of J Kowalczyk.
- (x) Relocation allowance included in other benefits.
- (xi) Employed 3 days per week.

#### **D. Relationship between Remuneration and Group Performance**

##### **(a) Remuneration Not Dependent on Satisfaction of Performance Condition**

The non-executives remuneration policy is not directly related to Group performance. The Board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the Group for shareholders.

##### **(b) Remuneration Dependent on Satisfaction of Performance Condition**

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonus and long-term incentive plan. Performance-based remuneration granted to key management personnel has regard to Group performance over a twelve month to 2-year period.

**The following table summarises the performance conditions for KMP with performance-linked equity instruments: Table 3.**

<b>KMP</b>	<b>Conditions for vesting of Options and Performance Rights</b>
Andrew Ronchi	Key Milestones as determined by and at the discretion of the Board
Damian Connellan	Key Milestones as determined by and at the discretion of the Board
Megan Connell	Key Milestones as determined by and at the discretion of the Board
Meagan Blackburn	Key Milestones as determined by and at the discretion of the Board
Muhammad Umer	Key Milestones as determined by and at the discretion of the Board
Matthew May	Key Milestones as determined by and at the discretion of the Board
Zoe Whyatt	Key Milestones as determined by and at the discretion of the Board
Mark Heaysman	Key Milestones as determined by and at the discretion of the Board

These vesting conditions were selected to promote the creation of shareholder wealth during the period.

**The following Table sets out the Terms and Conditions of each Grant of the Performance-Linked Bonus affecting Compensation in Current and Future Years: Table 4**

As at the date of this report the following performance linked bonuses are payable for key management personnel.

	<b>Total Performance Linked Bonus</b>	<b>Awarded/Available</b>	<b>Forfeited</b>
<b>2017</b>	<b>\$</b>	<b>%</b>	<b>%</b>
A Ronchi	97,402	81%	19%
M Blackburn	8,560	80%	20%
M Connell	4,410	72%	28%
M Heaysman	33,629	95%	5%
M May	39,252	89%	11%
M Umer	3,378	85%	15%
Z Whyatt	104,254	95%	5%

- (i) All performance bonuses are in the form of performance rights that convert to shares on their vesting date, 1 October 2017 or 1 January 2018, or options, and have been valued at the market share price on date of grant.

**(c) Consequences of Group's Performance on Shareholder Wealth**

**The following Table summarises Group Performance and Key Performance Indicators: Table 5**

<b>Group Performance</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenue	3,897,882	3,238,138	1,850,416	767,418
% increase in revenue	20%	75%	141%	42%
Loss before tax	(4,717,447)	(5,915,567)	(8,684,709)	(4,121,606)
% (increase)/decrease in loss before tax	20%	32%	(111%)	(90%)
Change in share price	7%	4%	(41%)	10%
Dividend paid to shareholders	-	-	-	-
Return of capital	-	-	-	-
Total remuneration of KMP	2,182,038	2,450,850	2,442,136	1,213,960
Total performance based remuneration	290,885	98,264	140,295	79,512

**E. Key Management Personnel's Share-Based Compensation**

**(a) Details of Compensation Equity**

Table 6

2017							Terms and Conditions for each Grant				
Grant	Date (i)	Number Granted	Value per Unit at Grant Date	Vested during the Year	Year in which Equity may Vest	Lapsed during the Year	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date	
			\$			%	\$				
Executives											
Z Whyatt	30-Sep-15	250,000	0.28	-	2016	-	250,000	0.28	-	-	
Z Whyatt	30-Sep-15	250,000	0.28	-	2017	-	250,000	0.28	-	-	
Z Whyatt	30-Sep-15	250,000	0.28	-	2018	-	250,000	0.28	-	-	
M Heaysman	3-Jul-14	250,000	0.04	-	2017	-	-	0.46	3-Jul-19	N/A	
M Heaysman	17-Aug-15	500,000	0.17	-	2020	-	-	0.26	17-Aug-20	N/A	
M May	5-Nov-14	20,000	0.27	-	2019	100%	-	0.40	5-Nov-19	N/A	
M Umer	25-Feb-15	30,000	0.23	-	2020	100%	-	0.36	25-Feb-20	N/A	
A Ronchi	29-Nov-16	150,000	0.45	-	2018	-	-	-	1-Oct-17	1-Oct-17	
A Ronchi	29-Nov-16	150,000	0.45	-	2019	-	-	-	1-Oct-18	1-Oct-18	
A Ronchi	29-Nov-16	150,000	0.45	-	2020	-	-	-	1-Oct-19	1-Oct-19	
A Ronchi	29-Nov-16	450,000	0.45	-	2020	-	-	-	29-Nov-19	29-Nov-19	
Z Whyatt	15-May-17	500,000	0.33	500,000	2017	100%	-	0.33	15-May-22	15-May-17	
Z Whyatt	15-May-17	133,333	0.33	-	2018	-	-	0.33	1-Oct-22	1-Oct-17	
Z Whyatt	15-May-17	133,333	0.33	-	2019	-	-	0.33	1-Oct-23	1-Oct-18	
Z Whyatt	15-May-17	133,334	0.33	-	2020	-	-	0.33	1-Oct-24	1-Oct-19	
Z Whyatt	15-May-17	350,000	0.33	-	2020	-	-	0.33	1-Jul-24	1-Jul-19	
M Heaysman	5-Jun-17	83,334	0.31	-	2018	-	-	-	1-Jan-18	1-Jan-18	
M Heaysman	5-Jun-17	83,334	0.31	-	2019	-	-	-	1-Jan-19	1-Jan-19	

**dorsaVi Ltd and controlled entities**  
**ABN: 15 129 742 409**

2017		Terms and Conditions for each Grant									
Grant Date	(i)	Number Granted	Value per Unit at Grant Date \$	Vested during the Year	Year in which Equity may Vest	Vest during the Year %	Lapsed during the Year	Exercise Price \$	Expiry Date	First Exercise Date	Last Exercise Date
<b>Executives</b>											
M Heaysman	5-Jun-17	333,332	0.31	-	2020	-	-	-	1-Jan-20	1-Jan-20	1-Jan-20
M Connell	5-Jun-17	50,000	0.31	-	2018	-	-	-	1-Oct-17	1-Oct-17	1-Oct-17
M Connell	5-Jun-17	50,000	0.31	-	2019	-	-	-	1-Oct-18	1-Oct-18	1-Oct-18
M Connell	5-Jun-17	50,000	0.31	-	2020	-	-	-	1-Oct-19	1-Oct-19	1-Oct-19
M Connell	5-Jun-17	150,000	0.31	-	2020	-	-	-	1-Jul-19	1-Jul-19	1-Jul-19
M Blackburn	5-Jun-17	100,000	0.31	-	2018	-	-	-	1-Oct-17	1-Oct-17	1-Oct-17
M Blackburn	5-Jun-17	100,000	0.31	-	2019	-	-	-	1-Oct-18	1-Oct-18	1-Oct-18
M Blackburn	5-Jun-17	100,000	0.31	-	2020	-	-	-	1-Oct-19	1-Oct-19	1-Oct-19
M Blackburn	5-Jun-17	150,000	0.31	-	2020	-	-	-	1-Jul-19	1-Jul-19	1-Jul-19
M May	5-Jun-17	100,000	0.31	-	2017	-	-	-	1-Jul-17	1-Jul-17	1-Jul-17
M May	5-Jun-17	125,000	0.31	-	2018	-	-	-	1-Oct-17	1-Oct-17	1-Oct-17
M May	5-Jun-17	125,000	0.31	-	2019	-	-	-	1-Oct-18	1-Oct-18	1-Oct-18
M May	5-Jun-17	125,000	0.31	-	2020	-	-	-	1-Oct-19	1-Oct-19	1-Oct-19
M May	5-Jun-17	200,000	0.31	-	2020	-	-	-	1-Jul-19	1-Jul-19	1-Jul-19
M Umer	5-Jun-17	25,000	0.31	-	2018	-	-	-	1-Oct-17	1-Oct-17	1-Oct-17
M Umer	5-Jun-17	25,000	0.31	-	2019	-	-	-	1-Oct-18	1-Oct-18	1-Oct-18
M Umer	5-Jun-17	25,000	0.31	-	2020	-	-	-	1-Oct-19	1-Oct-19	1-Oct-19
M Umer	5-Jun-17	75,000	0.31	-	2020	-	-	-	1-Jul-19	1-Jul-19	1-Jul-19
		<u>5,775,000</u>		<u>500,000</u>		<u>750,000</u>					
(i)	The options and performance rights granted during the current year are subject to performance and retention conditions.										

As at 30 June 2017, no options have been exercised or performance rights vested and, accordingly, no shares have been issued as a result of options previously vested or performance rights granted.

**dorsaVi Ltd and controlled entities**  
**ABN: 15 129 742 409**

2016								Terms and Conditions for each Grant			
Grant Date	(i)	Number Granted	Value per Unit at Grant Date	Vested during the Year	Year in which Equity may Vest	Vest  %	Lapsed during the Year	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
			\$					\$			
Executives											
J Kowalczyk	8-Apr-14	1,000,000	0.30	-	2015 (i)	39%	1,000,000	0.51	11-Dec-15	-	-
J Kowalczyk	11-Dec-15	277,778	0.10	277,778	2015 (ii)	100%	-	0.38	11-Dec-16	-	-
D Wildermuth	21-Oct-14	900,000	0.26	318,750	2015 (iii)	35%	-	0.40	14-Jul-16	-	-
Z Whyatt	30-Sep-15	250,000	0.28	250,000	2016	100%	-	0.28	30-Sep-20	30-Sep-15	30-Sep-20
Z Whyatt	30-Sep-15	250,000	0.28	-	2017	-	-	0.28	30-Sep-21	30-Sep-16	30-Sep-21
Z Whyatt	30-Sep-15	250,000	0.28	-	2018	-	-	0.28	30-Sep-22	30-Sep-17	30-Sep-22
M Heaysman (iv)	3-Jul-14	250,000	0.04	-	2017	-	-	0.46	3-Jul-19	-	-
M Heaysman (iv)	17-Aug-15	500,000	0.17	-	2020	-	-	0.26	17-Aug-20	-	-
M May (iv)	5-Nov-14	20,000	0.27	20,000	2019	100%	-	0.40	5-Nov-19	-	-
M Umer (iv)	25-Feb-15	30,000	0.23	30,000	2020	100%	-	0.36	25-Feb-20	-	-
J Whelan (iv) (v)	6-May-14	100,000	0.18	-	2017	-	100,000	0.49	6-May-17	-	-
		3,827,778		896,528				1,100,000			

- (i) The options available to this employee were forfeited on 11 December 2015 as the employee resigned from the Group.
- (ii) The option grant shall vest at the same time as they were granted. These options related to prior service and were not forfeited on termination.
- (iii) The options available to this employee were forfeited on 14 July 2016 as the employee resigned from the Group on 14 April 2016.
- (iv) The share based compensation comprises non-recourse interest free loans granted under the Employee Share Ownership Plan to acquire shares in dorsaVi. The accounting treatment for non-recourse loans is consistent with accounting for options. The exercise period is from grant date up to the fifth-year anniversary.
- (v) J Whelan resigned 12 October 2015.

**F. Key Management Personnel's Equity Holdings**

**(a) Number of Equity Holdings held by Key Management Personnel**

As at 30 June 2017 key management personnel held options, under the Group's Employee Share Ownership Plan 2013, to purchase 1,250,000 ordinary shares of the Group. As at 30 June 2017 500,000 of these options had vested and were convertible to shares.

As at 30 June 2017 key management personnel held 3,475,000 performance rights, under the Group's Employee Share Ownership Plan 2013, which, on vesting, convert to 3,475,000 ordinary shares of the Group. As at 30 June 2017 none of these performance rights had vested and converted to shares.

**(b) Number of Shares held by Key Management Personnel (Consolidated)**

The relevant interest of each key management personnel in the share capital of the Group as notified the ASX as at 30 June 2017 is as follows:

Table 7

<b>2017</b>	<b>Balance 1/07/16</b>	<b>Received as Remuneration</b>	<b>Net Change Other</b>	<b>Balance 30/06/17</b>
<b>Non-Executive Directors</b>				
H Elliott	82,500	-	17,597 (i)	100,097
A Attia	208,440	-	2,699 (i)	211,139
M Panaccio	67,055,830	-	4,365,425 (ii)	71,421,255
M Panaccio (relevant interest)	1,000,000	-	-	1,000,000
G Tweedly	68,750	-	17,597 (i)	86,347
<b>Executive Director</b>				
A Ronchi	8,313,949	-	17,597 (i)	8,331,546
<b>Executives</b>				
M Connell	-	-	-	-
D Connellan	-	-	-	-
M Blackburn	253,982	-	17,597 (i)	271,579
Z Whyatt	63,496	-	-	63,496
M Umer	795,442	-	-	795,442
M Heaysman	1,168,972	-	-	1,168,972
M May	20,000	-	-	20,000
	<b>79,031,361</b>	<b>-</b>	<b>4,438,512</b>	<b>83,469,873</b>

(i) Acquired shares through the Group's share purchase plan.

(ii) Acquired shares through the Group's share purchase plan and as part of a private placement.

**G. Loans to Key Management Personnel**

**(a) Aggregate of Loans Made**

There were no loans made to key management personnel during the 2017 financial year (2016: \$nil). There were no outstanding loans to key management personnel as at 30 June 2017 (30 June 2016: \$nil).

**H. Other Transactions with Key Management Personnel**

**(a) Transactions with Key Management Personnel of the Entity or its Parent and their Personally Related Entities**

During the year ended 30 June 2017, dorsaVi Ltd paid \$nil (2016: \$20,011) to Simon Heaysman, paid \$nil (2016: \$2,224) to Dane Heaysman (both inclusive of expense claim reimbursements) and paid \$104,038 (2016: \$97,754) to Safety Assess Pty Ltd a related Company of Dane Heaysman. These amounts are on normal commercial terms and were paid to these parties in their capacity as ViSafe Assessors on various ViSafe projects throughout the financial year. These individuals and company are related to dorsaVi through their relationship to their father, Mr Mark Heaysman.

**(b) Transactions with Other Related Parties**

Starfish Ventures Pty Ltd is a related party as it is connected with a director of dorsaVi Ltd. During the year ended 30 June 2017, Starfish Ventures Pty Ltd charged rent to dorsaVi Ltd. Total value of these rental charges was \$121,970 (2016: \$105,995). The rent was charged to dorsaVi on normal terms and conditions. The balance outstanding at balance date was \$14,916 (2016: \$20,772) included in Trade Payables at Note 14.



During the year ended 30 June 2017, dorsaVi Ltd paid \$54,120 (2016: \$49,163) to Starfish Technology Fund II, LP on behalf of Michael Panaccio for director's fees.

**I. Use of Remuneration Consultants**

During the year the Board did not engage remuneration consultants.

**J. Voting and Comments made at the Group's 2016 Annual General Meeting (AGM)**

At the Group's most recent AGM, resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

-----End of the Remuneration Report-----

Signed in accordance with a resolution of the directors

Herb Elliott  
Director and Chairman



Melbourne  
Date: 28 August 2017

Andrew Ronchi  
Director and CEO



Melbourne  
Date: 28 August 2017

**AUDITOR'S INDEPENDENCE DECLARATION**  
**To the Directors of dorsaVi Ltd.**

In relation to the independent audit for the year ended 30 June 2017, 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 APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of dorsaVi Ltd and the entities it controlled during the year.



F V RUSSO  
Partner



PITCHER PARTNERS  
Melbourne

28 August 2017

## Financial Report for the Year Ended – 30 June 2017

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>Revenue and Other Income</b>			
Sales revenue	4	3,466,027	3,019,928
Other income	4	431,855	218,210
		<u>3,897,882</u>	<u>3,238,138</u>
<b>Less: Expenses</b>			
Cost of sales	5	(1,068,139)	(841,416)
Advertising expenses		(239,990)	(228,395)
Conference expenses		(72,596)	(59,652)
Consultancy expenses		(332,815)	(443,696)
Depreciation and amortisation expenses	5	(174,677)	(115,935)
Device development expenditure		(181,033)	(118,300)
Employee benefits expenses	5	(4,302,643)	(4,762,296)
Finance costs	5	-	(3,094)
Occupancy expenses	5	(283,078)	(274,997)
Professional fees		(446,470)	(617,489)
Regulatory expenses		(86,800)	(212,405)
Software expenses		(170,261)	(177,208)
Travel expenses		(447,460)	(392,388)
Other expenses		(809,367)	(906,434)
		<u>(8,615,329)</u>	<u>(9,153,705)</u>
<b>Loss before Income Tax Benefit</b>		<u>(4,717,447)</u>	<u>(5,915,567)</u>
Income tax benefit	6	841,199	678,465
<b>Loss from Continuing Operations</b>		<u>(3,876,248)</u>	<u>(5,237,102)</u>
<b>Other Comprehensive Income</b>			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign subsidiaries net of tax		308,995	191,699
Other comprehensive income for the year		<u>308,995</u>	<u>191,699</u>
<b>Loss for the Year</b>		<u>(3,567,253)</u>	<u>(5,045,403)</u>
Loss per share for loss from continuing operations attributable to equity holders of the parent entity:			
Basic loss per share	20	(2.45 cents)	(3.63 cents)
Diluted loss per share	20	(2.45 cents)	(3.63 cents)

The above statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Notes</b>	<b>2017</b> \$	<b>2016</b> \$
<b>Current Assets</b>			
Cash and cash equivalents	8	8,609,602	6,029,185
Receivables	9	2,410,615	1,820,958
Inventories	10	317,157	246,781
Other assets	11	146,125	136,056
<b>Total Current Assets</b>		<u>11,483,499</u>	<u>8,232,980</u>
<b>Non-Current Assets</b>			
Intangible assets	12	2,607,199	1,059,871
Plant and equipment	13	381,094	310,242
<b>Total Non-Current Assets</b>		<u>2,988,293</u>	<u>1,370,113</u>
<b>Total Assets</b>		<u>14,471,792</u>	<u>9,603,093</u>
<b>Current Liabilities</b>			
Payables	14	930,084	714,005
Provisions	15	385,696	279,114
<b>Total Current Liabilities</b>		<u>1,315,780</u>	<u>993,119</u>
<b>Non-Current Liabilities</b>			
Provisions	15	30,340	18,892
<b>Total Non-Current Liabilities</b>		<u>30,340</u>	<u>18,892</u>
<b>Total Liabilities</b>		<u>1,346,120</u>	<u>1,012,011</u>
<b>Net Assets</b>		<u>13,125,672</u>	<u>8,591,082</u>
<b>Equity</b>			
Share capital	16	38,440,518	30,709,796
Reserves	17	758,286	93,496
Accumulated losses	17	(26,073,132)	(22,212,210)
<b>Total Equity</b>		<u>13,125,672</u>	<u>8,591,082</u>

The above statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

<b>Consolidated Entity</b>	<b>Share Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 1 July 2015</b>	23,855,099	78,697	(17,317,080)	6,616,716
Loss for the year	-	-	(5,237,102)	(5,237,102)
Exchange differences on translation of foreign operations, net of tax	-	191,699	-	191,699
<b>Total Comprehensive Income for the Year</b>	-	<b>191,699</b>	<b>(5,237,102)</b>	<b>(5,045,403)</b>
<b>Transactions with Owners in their capacity as Owners:</b>				
Issue of shares	7,719,800	-	-	7,719,800
Cost of raising capital	(381,538)	-	-	(381,538)
Redemption of Employee share ownership plan	56,435	-	-	56,435
Employee share ownership plan	-	165,072	-	165,072
Options lapsed	-	(341,972)	341,972	-
	<b>6,854,697</b>	<b>(176,900)</b>	<b>341,972</b>	<b>7,019,769</b>
<b>Balance as at 30 June 2016</b>	<b>30,709,796</b>	<b>93,496</b>	<b>(22,212,210)</b>	<b>8,591,082</b>
<b>Balance as at 1 July 2016</b>	30,709,796	93,496	(22,212,210)	8,591,082
Loss for the year	-	-	(3,876,248)	(3,876,248)
Exchange differences on translation of foreign operations, net of tax	-	308,995	-	308,995
<b>Total Comprehensive Income for the Year</b>	-	<b>308,995</b>	<b>(3,876,248)</b>	<b>(3,567,253)</b>
<b>Transactions with Owners in their capacity as Owners:</b>				
Issue of shares	7,999,972	-	-	7,999,972
Cost of raising capital	(309,411)	-	-	(309,411)
Redemption of Employee share ownership plan	40,161	-	-	40,161
Employee share ownership plan	-	371,121	-	371,121
Options lapsed	-	(15,326)	15,326	-
	<b>7,730,722</b>	<b>355,795</b>	<b>15,326</b>	<b>8,101,843</b>
<b>Balance as at 30 June 2017</b>	<b>38,440,518</b>	<b>758,286</b>	<b>(26,073,132)</b>	<b>13,125,672</b>

The above statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Notes</b>	<b>2017</b> \$	<b>2016</b> \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers		3,475,183	2,567,599
Payments to suppliers and employees		(7,947,085)	(9,376,574)
Grants received		258,370	86,455
Interest received		148,588	129,164
Finance costs		-	(3,094)
Income tax refunded		678,220	648,548
<b>Net Cash used in Operating Activities</b>	18 (b)	<u>(3,386,724)</u>	<u>(5,947,901)</u>
<b>Cash Flow from Investing Activities</b>			
Payment for plant and equipment		(133,492)	(14,545)
Payment for intangibles		(1,630,089)	(568,327)
<b>Net Cash used in Investing Activities</b>		<u>(1,763,581)</u>	<u>(582,327)</u>
<b>Cash Flow from Financing Activities</b>			
Proceeds from share issue		7,999,972	7,179,800
Cost of raising capital		(309,411)	(381,538)
Proceeds from employee share ownership plan		40,161	56,435
Repayments of borrowings		-	(38,252)
<b>Net Cash provided by Financing Activities</b>		<u>7,730,722</u>	<u>6,816,445</u>
<b>Reconciliation of Cash</b>			
Cash at beginning of the financial year		6,029,185	5,743,513
Net increase in cash held		<u>2,580,417</u>	<u>285,672</u>
<b>Cash at End of the Year</b>	18 (a)	<u>8,609,602</u>	<u>6,029,185</u>

The above statement should be read in conjunction with the accompanying notes.

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**NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2017**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies adopted by the Group 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**

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers dorsaVi Ltd and controlled entities as a Group. dorsaVi Ltd is a company limited by shares, incorporated and domiciled in Australia at: Level 1, 120 Jolimont Road, East Melbourne East, Victoria, 3002. dorsaVi Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on the date of the director's report.

***Compliance with IFRS***

The consolidated financial statements of dorsaVi Ltd also comply with the International Financial Reporting Standards (IFRS) 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 and liabilities as described in the accounting policies.

***Significant Accounting Estimates and Judgements***

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

**(b) Going Concern**

The financial report has been prepared on a going concern basis.

**(c) Principles of Consolidation**

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity and of all entities, which the parent entity controls. The Group controls an entity when it is exposed, or has rights, 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 prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

**(d) Revenue**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the provision of services to a customer is recognised upon performance of the service. Accrued income arising from recognised revenue is transferred to trade receivables when project milestones

are achieved and tax invoices are raised. Certain customers may be invoiced in advance of the provision of services and this unearned income is recognised as a liability until the service is performed.

Revenue from fixed price contracts is recognised by reference to the stage of completion. The stage of completion is determined using inputs from dorsaVi's project management methodology, including effort expended and effort to complete.

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 grants does not include refundable research and development tax offsets. These are accounted for within Income Tax Expense.

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

Device rental income is recognised on a straight-line basis over the term of the rental term.

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

#### **(e) 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.

#### **(f) 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.

#### **(g) Plant and Equipment**

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment loss.

##### ***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.

<b>Class of Fixed Asset</b>	<b>Depreciation Rates</b>	<b>Depreciation Basis</b>
Testing equipment at cost	10-67%	Diminishing value
Leased devices at cost	20%	Straight line
Office equipment at cost	10-67%	Diminishing value
Furniture, fixtures and fittings at cost	10-20%	Diminishing value
Tooling at cost	10%	Straight line

#### **(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 are recognised as an expense on a straight-line basis over the term of the lease.

**(i) Intangibles**

***Goodwill***

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

***Patents***

Patents, trademarks and licenses are recognised at cost and depreciated on a straight-line basis over their effective lives, which is estimated to be 20 years.

***Research***

Expenditure on research activities is recognised as an expense when incurred.

***Development***

Development costs are capitalised when the entity can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using a straight-line method to allocate the cost of the intangible asset over its estimated useful life, which range from 5 to 10 years. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

**(j) Impairment of Non-Financial Assets**

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows - Cash Generating Units (CGU). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the CGU or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or CGU exceeds the asset's or CGU's recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of CGU's are allocated first against the carrying amount of any goodwill attributed to the CGU with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant CGU.

**(k) 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. Current Income Tax expense or revenue includes refundable research and development tax offsets.

***Deferred Tax Balances***

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor 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.

***Tax Consolidation***

dorsaVi Ltd (parent entity) and its wholly owned subsidiary, (Australian Workplace Compliance Pty Ltd), have applied tax consolidation legislation and formed a tax-consolidated group from 1 July 2014. The parent entity and subsidiary in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- The parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- The subsidiary recognises current or deferred tax amounts arising in respect of their own transactions, events and balances;
- Current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of the subsidiary in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

**(l) Provision**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(m) 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 the 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***

The provision for employee benefits in respect of long service leave and annual leave which, are 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.

**(iii) Retirement Benefit Obligations**

*Defined Contribution Superannuation Plan*

The Group makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

**(iv) Share-Based Payments**

The Group operates share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

**(v) Bonus Plan**

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

**(n) Borrowing Costs**

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are expensed as incurred.

**(o) Financial Instruments**

***Classification***

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or 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, loans from third parties and loans 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 12 months after the reporting date.

***Impairment of Financial Assets***

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed

through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

**(p) Foreign Currency Translations and Balances**

***Functional and Presentation Currency***

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

***Transactions and Balances***

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

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.

***Foreign Subsidiaries***

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

**(q) 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.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(r) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency.

**(s) Rounding of Amounts**

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

**(t) Accounting Standards Issued but not yet Effective at 30 June 2017**

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

- AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. Key changes that may affect the Group on application of AASB 9 and associated amending Standards

include:

- Simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- Permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- Simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- Introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- Requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15 and AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 and AASB 2016-7 (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- Identify the contract(s) with a customer;
- Identify the performance obligations under the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations under the contract(s); and
- Recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

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

- AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - Investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
  - Property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.



Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this objective, entities will be required to disclose the following changes in liabilities arising from financing activities:

- Changes from financing cash flows;
- Changes arising from obtaining or losing control of subsidiaries or other businesses;
- The effect of changes in foreign exchange rates;
- Changes in fair values; and
- Other changes.

This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2016-5: Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (applicable for annual reporting periods commencing on or after 1 January 2018).

This Amending Standard amends AASB 2: Share-based Payment to address:

- The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This Standard is not expected to significantly impact the Group's financial statements.

- AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration (applicable for annual reporting periods commencing on or after 1 January 2018).

Interpretation 22 clarifies that, in applying AASB 121: The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Accordingly, if there are multiple payments or receipts in advance, the entity is required to determine a date of the transaction for each payment or receipt of advance consideration.

This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB Interpretation 23: Uncertainty over Income Tax Treatments (applicable for annual reporting periods commencing on or after 1 January 2019).

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments. If the entity concludes that it is probable that the taxation authority will accept the uncertain tax treatment, the entity determines current tax and deferred tax consistently with the tax treatment used or planned to be used in its income tax filings. Whereas, if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity reflects the effect of uncertainty in the determination of current tax and deferred tax, based on either 'the most likely amount' or 'the probability-weighted amount' of tax (depending on which method the entity expects to better predict the resolution of the uncertainty).

**NOTE 2: SIGNIFICANT 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) Impairment of Non-Financial Assets other than Goodwill**

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

The recoverable amount of a CGU is based on value in use calculations. Value in use calculations are based on projected cash flows approved by management covering a maximum five-year period. Management's determination of cash flow projections are based on past performance and its expectations of the future.

**(b) Income Tax**

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group 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.

**(c) Employee Benefits**

The calculation of long term employment benefits requires estimation of the retention of staff, future wage levels and timing of the settlement of employee entitlements. The estimates are based on historical trends.

**(d) Share Based Payments**

Calculation of share based payments requires estimation of the timing of the exercise of the underlying equity instrument. The estimates are based on historical trends.

**NOTE 3: FINANCIAL RISK MANAGEMENT**

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

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

The Board of directors has overall responsibility for identifying and managing operational and financial risks. The Group holds the following financial instruments:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and cash equivalents	8,609,602	6,029,185
Trade receivables	1,490,542	989,262
Other receivables	893,466	805,089
Related party receivables	26,607	26,607
	<b>11,020,217</b>	<b>7,850,143</b>
<b>Financial Liabilities</b>		
Trade payables	304,012	469,601
Other payables	625,072	243,404
Related party payables	1,000	1,000
	<b>930,084</b>	<b>714,005</b>

**(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 Group is exposed to foreign currency risk through the operation of wholly owned subsidiaries in the United Kingdom and the United States of America.

Whilst operations in these geographical regions are in their infancy, the Group has not established a hedging policy to mitigate adverse currency risk.

**Sensitivity**

If foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on loss for the year and equity is as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
+/- 100 basis points		
Impact on loss after tax	121,637	134,407
Impact on equity	121,637	134,407

**(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 Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

**2017**

**Financial Instruments**

	<b>Interest Bearing</b>	<b>Non-interest Bearing</b>	<b>Total Carrying Amount</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<i>Financial Assets</i>				
Cash	2,534,495	-	2,534,495	1.50% Floating
Flexi Deposit	3,500,000	-	3,500,000	2.55% Fixed
Floating Deposit	2,500,000	-	2,500,000	2.47% Floating
Term Deposit	26,602	-	26,602	2.65% Fixed
Term Deposit	48,505	-	48,505	2.10% Fixed
Trade receivables	-	1,490,542	1,490,542	0.00%
Other receivables	-	893,466	893,466	0.00%
Related party receivables	-	26,607	26,607	0.00%
	<u>8,609,602</u>	<u>2,410,615</u>	<u>11,020,217</u>	
<i>Financial Liabilities</i>				
Trade payables	-	304,012	304,012	0.00%
Other payables	-	625,072	625,072	0.00%
Related party payables	-	1,000	1,000	0.00%
	<u>-</u>	<u>930,084</u>	<u>930,084</u>	

**2016**

**Financial Instruments**

	<b>Interest Bearing</b>	<b>Non-interest Bearing</b>	<b>Total Carrying Amount</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<i>Financial Assets</i>				
Cash	1,964,185	-	1,964,185	1.75% Floating
Flexi Deposit	2,000,000	-	2,000,000	2.55% Fixed
Floating Deposit	2,000,000	-	2,000,000	2.72% Floating
Term Deposit	25,000	-	25,000	2.95% Fixed
Term Deposit	40,000	-	40,000	2.65% Fixed
Trade receivables	-	989,262	989,262	0.00%
Other receivables	-	805,089	805,089	0.00%
Related party receivables	-	26,607	26,607	0.00%
	<u>6,029,185</u>	<u>1,820,958</u>	<u>7,850,143</u>	
<i>Financial Liabilities</i>				
Trade payables	-	469,601	469,601	0.00%
Other payables	-	243,404	243,404	0.00%
Related party payables	-	1,000	1,000	0.00%
	<u>-</u>	<u>714,005</u>	<u>714,005</u>	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk. There are no variable interest borrowings in the Group. The Group is exposed to variable interest cash and cash deposits held; however, fluctuations due to interest rates are considered immaterial.

**(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 consolidated statement of financial position and notes to the consolidated financial statements.

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

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a 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.

The ageing analysis of trade and other receivables is provided in Note 9.

As the Group 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 terms.

**(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**

The Group's approach to managing liquidity risk is to ensure, as far as possible, that, at all times, it has sufficient liquidity to meet its liabilities. The Group has cash reserves and expects to settle all financial liabilities within six months of year end.

**(e) Fair Value**

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

**NOTE 4: REVENUE AND OTHER INCOME**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from Continuing Operations</b>		
Device and consumables sales	981,378	621,600
Device rental income	573,558	660,940
Consulting income	1,911,091	1,737,388
	<u>3,466,027</u>	<u>3,019,928</u>
<b>Other Income</b>		
Grant income	258,370	86,455
Interest income	148,588	129,165
Foreign exchange gain	24,897	2,590
	<u>431,855</u>	<u>218,210</u>
	<u><u>3,897,882</u></u>	<u><u>3,238,138</u></u>

**NOTE 5: LOSS FROM CONTINUING OPERATIONS**

Losses before income tax has been determined after:

Cost of sales	1,068,139	841,416
Finance costs	-	3,094
Depreciation	91,916	82,815
Amortisation of patents and intangibles	82,761	33,120
Employee benefits expense		
- Share based payments	371,121	165,072
- Other employee benefits	3,931,522	4,597,224
	<u>4,302,643</u>	<u>4,762,296</u>
Operating lease rental	283,078	274,997
Research and development expense	1,845,839	1,507,701

**NOTE 6: INCOME TAX**

**(a) Components of Tax Benefit**

Current tax	(841,199)	(678,465)
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**(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% (2016: 30%)

	(1,415,234)	(1,774,671)
Add tax effect of:		
- Accounting research and development expenditure	553,752	452,310
- Other non-allowable items	9,252	5,664
- Share based payments expense	111,336	49,522
- Tax losses not recognised	720,753	1,308,309
- Unrealised foreign exchange loss	152,728	156,229
- Deferred tax assets not recognised	73,713	-
	<u>1,621,534</u>	<u>1,972,034</u>

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	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Less tax effect of:		
- Amortisation of capital raising costs	127,044	108,549
- Research and development tax offset	841,199	678,465
- Effect of foreign tax rates	79,256	82,245
- Deferred tax assets not recognised	-	6,569
	<u>1,047,499</u>	<u>875,828</u>
Income tax benefit attributable to loss	<u>(841,199)</u>	<u>(678,465)</u>

**(c) Deferred Tax Assets not brought to Account**

Temporary differences	183,283	109,570
Operating tax losses	5,534,457	4,813,704
	<u>5,717,740</u>	<u>4,923,274</u>

**NOTE 7: DIVIDENDS**

There were no dividends paid during the period.

**NOTE 8: CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	2,534,495	1,964,185
Deposits at call	6,075,107	4,065,000
	<u>8,609,602</u>	<u>6,029,185</u>

**NOTE 9: RECEIVABLES**

**CURRENT**

Trade receivables	1,571,003	1,007,893
Provision for doubtful debts	(80,461)	(18,631)
	<u>1,490,542</u>	<u>989,262</u>
Accrued income	52,022	126,624
Research and development tax offset refundable	841,444	678,465
	<u>893,466</u>	<u>805,089</u>
Amounts receivable from:		
- Superspine Forrest Hill Unit Trust	26,607	26,607
	<u>2,410,615</u>	<u>1,820,958</u>

Trade receivables ageing analysis at 30 June is:

	<b>Gross 2017</b>	<b>Impairment</b>	<b>Gross 2016</b>	<b>Impairment</b>
	<b>\$</b>	<b>2017</b>	<b>\$</b>	<b>2016</b>
		<b>\$</b>		<b>\$</b>
Not past due	1,091,650	-	816,733	-
Past due 31-60 days	133,331	-	47,051	-
Past due 61-90 days	204,391	-	22,739	-
Past due more than 91 days	141,631	(80,461)	121,370	(18,631)
	<u>1,571,003</u>	<u>(80,461)</u>	<u>1,007,893</u>	<u>(18,631)</u>

Trade receivables are non-interest bearing with 30-day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Trade receivables not impaired are expected to be received.

**NOTE 10: INVENTORIES**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
At Cost		
Finished goods	317,157	231,461
Work in progress	-	15,320
	<u>317,157</u>	<u>246,781</u>

**NOTE 11: OTHER ASSETS**

Prepayments	<u>146,125</u>	<u>136,056</u>
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**NOTE 12: INTANGIBLE ASSETS**

Patents at cost	745,402	597,084
Less accumulated amortisation	(105,462)	(71,383)
Intangibles at cost	1,910,856	429,085
Less accumulated amortisation	(55,707)	(7,025)
Goodwill at cost	112,110	112,110
	<u>2,607,199</u>	<u>1,059,871</u>

**(a) Reconciliations**

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

	<b>Goodwill</b>		<b>Patents</b>		<b>Intangibles</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance	112,110	112,110	525,701	412,554	422,060	-
Additions	-	-	148,318	139,242	1,481,771	429,085
Amortisation expense	-	-	(34,079)	(26,095)	(48,682)	(7,025)
Closing balance	<u>112,110</u>	<u>112,110</u>	<u>639,940</u>	<u>525,701</u>	<u>1,855,149</u>	<u>422,060</u>

Development expenditure capitalised during the year relates to product that had progressed from the research phase to where it has been determined that the product will be developed for progressive release to the market (refer Note 1 (i)).

**NOTE 13: PLANT AND EQUIPMENT**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Plant and Equipment</b>		
Testing equipment at cost	126,485	107,986
Accumulated depreciation	(84,997)	(68,944)
	<u>41,488</u>	<u>39,042</u>
Leased devices at cost	257,144	227,867
Accumulated depreciation	(106,553)	(59,195)
	<u>150,591</u>	<u>168,672</u>
Office equipment at cost	231,166	190,902
Accumulated depreciation	(147,862)	(126,453)
	<u>83,304</u>	<u>64,449</u>

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	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Furniture, fixtures and fittings at cost	63,691	10,544
Accumulated depreciation	(5,215)	(3,624)
	<u>58,476</u>	<u>6,920</u>
Tooling at cost	67,530	45,949
Accumulated depreciation	(20,295)	(14,790)
	<u>47,235</u>	<u>31,159</u>
Total plant and equipment	<u><u>381,094</u></u>	<u><u>310,242</u></u>

**(a) Reconciliations**

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year:

***Testing Equipment***

Opening carrying amount	39,042	50,610
Additions	18,500	3,311
Depreciation expense	(16,054)	(14,879)
<b>Closing Carrying Amount</b>	<u><u>41,488</u></u>	<u><u>39,042</u></u>

***Leased Devices***

Opening carrying amount	168,672	152,184
Transfers from inventory	29,276	53,812
Depreciation expense	(47,357)	(37,324)
<b>Closing Carrying Amount</b>	<u><u>150,591</u></u>	<u><u>168,672</u></u>

***Office Equipment***

Opening carrying amount	64,449	82,198
Additions	40,264	7,735
Depreciation expense	(21,409)	(25,484)
<b>Closing Carrying Amount</b>	<u><u>83,304</u></u>	<u><u>64,449</u></u>

***Furniture, Fixtures And Fittings***

Opening carrying amount	6,920	7,745
Additions	53,147	-
Depreciation expense	(1,591)	(825)
<b>Closing Carrying amount</b>	<u><u>58,476</u></u>	<u><u>6,920</u></u>

***Tooling***

Opening carrying amount	31,159	31,963
Additions	21,581	3,499
Depreciation expense	(5,505)	(4,303)
<b>Closing Carrying Amount</b>	<u><u>47,235</u></u>	<u><u>31,159</u></u>

***Total Plant And Equipment***

Opening carrying amount	310,242	324,700
Additions	133,492	14,545
Transfers from inventory	29,276	53,812
Depreciation expense	(91,916)	(82,815)
<b>Closing Carrying Amount</b>	<u><u>381,094</u></u>	<u><u>310,242</u></u>



	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 14: PAYABLES</b>		
CURRENT		
<b><i>Unsecured Liabilities</i></b>		
Trade payables	304,012	469,601
Unearned income	229,571	24,502
Sundry creditors and accruals	395,501	218,902
Loan from related parties	1,000	1,000
	<u>930,084</u>	<u>714,005</u>

**NOTE 15: PROVISIONS**

CURRENT		
Employee benefits	<u>385,696</u>	<u>279,114</u>
NON-CURRENT		
Employee benefits	<u>30,340</u>	<u>18,892</u>
(a) Aggregate employee benefits liability	416,036	298,006
(b) Number of employees at year end	41	28

**NOTE 16: SHARE CAPITAL**

The Group's share capital is as follows:

<b>Ordinary Shares</b>	<b>Parent Equity 2017</b>		<b>Parent Equity 2016</b>	
	<b>No of Shares</b>	<b>\$</b>	<b>No of Shares</b>	<b>\$</b>
Beginning of the financial year	149,914,616	30,709,796	121,800,000	23,855,099
Issued during the financial year				
- Employee share scheme (A)	-	-	500,000	-
- Other shares issued (B)	-	40,161	-	56,435
- Shares issued (C)	17,391,243	7,999,972	27,614,616	7,179,800
- Cost of raising capital	-	(309,411)	-	(381,538)
End of the financial year	<u>167,305,859</u>	<u>38,440,518</u>	<u>149,914,616</u>	<u>30,709,796</u>

- Shares issued under the Employee Share Ownership Plan:
- In the prior year 500,000 ordinary shares were issued to employees of the Group at an average market price of 26 cents. All these shares are subject to non-recourse loans. Refer to Note 21, Share Based Payments.

**(i) Shares Issued under the Employee Share Ownership Plan:**

During the year a number of employees, previously issued shares under the Employee Share Ownership Plan (ESOP) repaid their non-recourse loans and took possession of their share entitlement.

**(ii) Shares Issued in a Capital Raising:**

In December 2016 and January 2017, the Group:

- Issued 10,869,565 fully paid ordinary shares to institutional and sophisticated investors at \$0.46 per share raising \$5,000,000 before costs;
- Issued 4,347,828 fully paid ordinary shares to major shareholder, Starfish Technology Fund II Trust A and Starfish Technology Fund II Trust B, at \$0.46 per share raising \$2,000,001; and
- Issued 2,173,850 fully paid ordinary shares under a share purchase plan to shareholders at \$0.46 per share raising \$999,971.

## **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 Group 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 cash flows.

During 2017, management paid dividends of \$nil (2016: \$nil).

## **Employee Share Ownership Plan (ESOP)**

The Group continued to offer employee participation in short-term and long-term incentive schemes as part of the remuneration packages for the employees of the Group. Refer to Note 21, Share Based Payments, for detailed disclosures.

### **NOTE 17: RESERVES AND ACCUMULATED LOSSES**

	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Share-based payment reserve	17(a)	584,162	228,367
Foreign currency translation reserve	17(b)	174,124	(134,871)
		<u>758,286</u>	<u>93,496</u>
Accumulated losses	17(c)	<u>(26,073,132)</u>	<u>(22,212,210)</u>

#### **(a) Share-based Payment Reserve**

##### **(i) Nature and Purpose of Reserve**

This reserve is used to record the fair value of options and shares issued to employees as part of their remuneration. The balance is transferred to share capital when options are granted and balance is transferred to retained earning when options lapse.

##### **(ii) Movements in Reserve**

Balance at beginning of year	228,367	405,267
Movement taken to comprehensive income during the year:		
- Employee share ownership plan	371,121	165,072
- Equity instruments lapsed	(15,326)	(341,972)
Balance at end of year	<u>584,162</u>	<u>228,367</u>

#### **(b) Foreign Currency Translation Reserve**

Balance at beginning of year	(134,871)	(326,570)
Movement taken to comprehensive income during the year	308,995	191,699
Balance at end of year	<u>174,124</u>	<u>(134,871)</u>

#### **(c) Accumulated Losses**

Balance at beginning of year	(22,212,210)	(17,317,080)
Net loss attributable to members of dorsaVi Ltd	(3,876,248)	(5,237,102)
Reversal of share based payment reserve	15,326	341,972
Balance at end of year	<u>(26,073,132)</u>	<u>(22,212,210)</u>

**NOTE 18: CASH FLOW INFORMATION**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of Cash</b>		
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 as follows:		
Cash at bank and on hand	2,534,495	1,964,185
Deposits at call	6,075,107	4,065,000
	<u>8,609,602</u>	<u>6,029,185</u>
<b>(b) Reconciliation of Cash Flow used in Operations with Loss after Income Tax</b>		
Loss from ordinary activities after income tax	(3,876,248)	(5,237,102)
<b>Adjustments and Non-cash Items</b>		
Amortisation	82,761	33,120
Depreciation	91,916	82,815
Share based payments	371,121	165,072
Movement in debtor provision	61,830	(4,151)
Foreign currency translation through reserve	308,995	191,699
<b>Changes in Assets and Liabilities</b>		
(Increase) / decrease in receivables	(563,110)	(679,770)
(Increase) / decrease in other assets	64,533	43,319
Increase in inventories	(99,655)	(162,636)
Increase / (decrease) in payables	216,082	(352,527)
(Increase) / decrease in research and development tax offset receivable	(162,979)	(29,917)
Increase in provisions	118,030	2,176
	<u>489,524</u>	<u>(710,799)</u>
Cash flows used in operating activities	<u>(3,386,724)</u>	<u>(5,947,901)</u>

**NOTE 19: COMMITMENTS AND CONTINGENCIES**

**(a) Operating Lease Commitments**

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

Payable

- Not later than one year	138,521	99,802
- Later than one year and not later than five years	1,575	-
	<u>140,096</u>	<u>99,802</u>

**Description of Leasing Arrangement:**

- Operating lease of premises in Australia - Month by month Agreement
- Operating lease of storage in Australia - Expires 18 November 2018
- Operating lease of premises in Europe - Expires 20 June 2018
- Operating lease of premises in USA - Expires 30 April 2018

**(b) Capital Expenditure Commitments**

Acquisition of intangible asset	170,000	-
Total capital expenditure commitments	<u>170,000</u>	<u>-</u>

**(c) Contingent Asset and Liabilities**

There are no contingent assets or contingent liabilities at balance date.

**NOTE 20: LOSS PER SHARE**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of loss used in calculating loss per share:		
Loss from continuing operations	(3,876,248)	(5,237,102)
Loss used in calculating basic earnings per share	(3,876,248)	(5,237,102)
Loss used in calculating diluted earnings per share	(3,876,248)	(5,237,102)
	<b>2017</b>	<b>2016</b>
	<b>No of Shares</b>	<b>No of Shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	158,497,079	144,346,723
Effect of dilutive securities:	-	-
Equity instruments	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	158,497,079	144,346,723

**NOTE 21: SHARE BASED PAYMENTS**

**(a) Employee Shares**

The Board established an Employee Share Ownership Plan (ESOP). This plan was established by the Group to facilitate the acquisition of Shares, Options and Performance Rights by those employed, or otherwise engaged by, or holding a position of office in, dorsaVi.

The key objective of the plan is to provide an incentive for employees to align their interests with those of the shareholders. Other objectives of the ESOP include:

- To attract, motivate and retain quality employees and Directors of dorsaVi;
- To create a commitment and united purpose between the employees and Directors and dorsaVi; and
- To add wealth for all shareholders of dorsaVi through the motivation of dorsaVi's employees and Directors.

This plan allows for dorsaVi to offer employees non-recourse and interest-free loans to acquire fully paid shares. On 20 September 2013, the Group's shareholders approved the giving of such financial assistance.

Only a person who is an Eligible Person may be invited and authorised by the Board to participate in this plan. An Eligible person means:

- An employee of dorsaVi or a subsidiary of dorsaVi; or
- A Director of dorsaVi or a subsidiary of dorsaVi who holds a salaried employment or office in dorsaVi or a subsidiary of dorsaVi; or
- A contractor engaged by dorsaVi or a subsidiary of dorsaVi and whom the Group has determined is an Eligible Person to participate in this plan.

There is no maximum limit on the number of Securities that may be acquired by Eligible Persons under the ESOP. However, the Board intends to restrict further issues of Securities to no more than 5% of the Group's issued share capital. This limit will be maintained unless shareholder approval is subsequently sought to increase this level.

No ESOP shares were issued to employees during the year ended 30 June 2017. Between 1 July 2015 and 30 June 2016, 500,000 Shares were granted under the ESOP at an average market price of 26 cents, subject to a non-recourse loan. These shares carry a full entitlement to dividends and capital returns. There is no ability for the Group to offset dividends paid against the non-recourse loan.

The ESOP Shares are subject to restriction agreements imposing loan repayment obligations, and, that the holders of Shares are not able to trade them within 12 months of issuance. After 12 months, 1/3<sup>rd</sup> of the issued shares can be traded. Contingent upon continued employment with the Group and meeting loan repayment obligations, the remaining shares become available for trading at a monthly rate of 1/36<sup>th</sup> of the shares issued over the subsequent 24 months.

**(b) Employee Options**

Under the Group's Employee Share Ownership Plan 2013, dorsaVi agreed to grant options to 1,300,000 ordinary shares of the Group during the period 1 July 2016 to 30 June 2017. Of the options granted, 750,000 are subject to vesting conditions in accordance with each option agreement. During the year a total of 1,977,778 options were cancelled.

**(c) Employee Performance Rights**

During the period 1 July 2016 to 30 June 2017 and under the Group's Employee Share Ownership Plan 2013, dorsaVi agreed to grant 3,749,000 performance rights that may vest into ordinary shares of the Group. Performance rights are subject to performance vesting conditions in accordance with each agreement. The performance rights do not vest into shares unless the performance conditions are met. During the year ended 20 June 2017 no performance rights vested. The performance rights vest into shares at \$nil.

Details of shares, options and performance rights granted are as follows:

**2017**

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Balance at 1/7/2016</b>	<b>Granted during the Year</b>	<b>Exercised during the Year</b>	<b>Expired during the Year</b>	<b>Balance at 30/6/2017</b>	<b>Exercisable at the end of the Year</b>
3-Jul-14	3-Jul-19	\$0.46	250,000	-	-	-	250,000	250,000
2-Sep-14	1-Sep-19	\$0.40	100,000	-	-	-	100,000	91,666
21-Oct-14	14-Jul-16	\$0.40	900,000	-	-	900,000	-	-
5-Nov-14	5-Nov-19	\$0.40	20,000	-	-	-	20,000	20,000
25-Feb-15	25-Feb-20	\$0.36	80,000	-	-	-	80,000	80,000
17-Aug-15	17-Aug-20	\$0.26	500,000	-	-	-	500,000	500,000
30-Sep-15	30-Sep-20	\$0.28	250,000	-	-	250,000	-	-
30-Sep-15	30-Sep-21	\$0.28	250,000	-	-	250,000	-	-
30-Sep-15	30-Sep-22	\$0.28	250,000	-	-	250,000	-	-
11-Dec-15	11-Dec-16	\$0.38	277,778	-	-	277,778	-	-
24-Mar-16	24-Mar-21	\$0.40	200,000	-	-	-	200,000	100,000
8-Jun-16	8-Jun-21	\$0.34	50,000	-	-	50,000	-	-
29-Nov-16	1-Oct-17	-	-	150,000	-	-	150,000	-
29-Nov-16	1-Oct-18	-	-	150,000	-	-	150,000	-
29-Nov-16	1-Oct-19	-	-	150,000	-	-	150,000	-
29-Nov-16	29-Nov-19	-	-	450,000	-	-	450,000	-
15-May-17	15-May-22	\$0.33	-	550,000	-	-	550,000	550,000
15-May-17	1-Oct-22	\$0.33	-	133,333	-	-	133,333	-
15-May-17	1-Oct-23	\$0.33	-	133,333	-	-	133,333	-
15-May-17	1-Oct-24	\$0.33	-	133,334	-	-	133,334	-
15-May-17	1-Jul-24	\$0.33	-	350,000	-	-	350,000	-
15-May-17	1-Oct-22	-	-	79,000	-	-	79,000	-
15-May-17	1-Oct-23	-	-	39,000	-	-	39,000	-
15-May-17	1-Oct-24	-	-	39,000	-	-	39,000	-
15-May-17	1-Jul-24	-	-	117,000	-	-	117,000	-
5-Jun-17	1-Jul-17	-	-	250,000	-	-	250,000	-
5-Jun-17	1-Oct-17	-	-	350,000	-	-	350,000	-
5-Jun-17	1-Oct-18	-	-	350,000	-	-	350,000	-
5-Jun-17	1-Oct-19	-	-	350,000	-	-	350,000	-
5-Jun-17	1-Jul-19	-	-	775,000	-	-	775,000	-
5-Jun-17	1-Jan-18	-	-	83,334	-	-	83,334	-
5-Jun-17	1-Jan-19	-	-	83,334	-	-	83,334	-
5-Jun-17	1-Jan-20	-	-	333,332	-	-	333,332	-
<b>TOTAL</b>			<b>3,127,778</b>	<b>5,049,000</b>	<b>-</b>	<b>1,977,778</b>	<b>6,199,000</b>	<b>1,591,666</b>

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**2016**

Grant date	Expiry Date	Exercise Price	Balance at 1/7/2015	Granted during the Year	Exercised during the Year	Expired during the Year	Balance at 30/6/2016	Exercisable at the end of the Year
8-Apr-14	11-Dec-15	\$0.51	1,000,000	-	-	1,000,000	-	-
6-May-14	6-May-17	\$0.49	100,000	-	-	100,000	-	-
3-July-14	3-July-19	\$0.46	250,000	-	-	-	250,000	250,000
2-Sep-14	1-Sep-19	\$0.40	100,000	-	-	-	100,000	58,333
21-Oct-14	14-Jul-16	\$0.40	900,000	-	-	-	900,000	318,750
5-Nov-14	5-Nov-19	\$0.40	20,000	-	-	-	20,000	20,000
25-Feb-15	25-Feb-20	\$0.36	80,000	-	-	-	80,000	80,000
17-Aug-15	17-Aug-20	\$0.26	-	500,000	-	-	500,000	500,000
30-Sep-15	30-Sep-20	\$0.28	-	250,000	-	-	250,000	250,000
30-Sep-15	30-Sep-21	\$0.28	-	250,000	-	-	250,000	-
30-Sep-15	30-Sep-22	\$0.28	-	250,000	-	-	250,000	-
11-Dec-15	11-Dec-16	\$0.10	-	277,778	-	-	277,778	277,778
24-Mar-16	24-Mar-21	\$0.40	-	200,000	-	-	200,000	100,000
8-Jun-16	8-Jun-21	\$0.34	-	50,000	-	-	50,000	2,083
<b>TOTAL</b>			<b>2,450,000</b>	<b>1,777,778</b>	<b>-</b>	<b>1,100,000</b>	<b>3,127,778</b>	<b>1,856,944</b>

Other additional information associated with these share performance rights and option grants include:

- The weighted average remaining contractual life for equity entitlements outstanding at the end of the period was 6 years.
- The weighted average value of the equity entitlements at grant date was \$0.34. This excluded any consideration of the impact of the exercise (or vesting) conditions.
- The fair value was determined using the binomial tree method or the Black-Scholes option-pricing models.
- The share price at grant date ranged from: \$0.26 to \$0.46
- Expected price volatility of the Group's shares: 80%
- Dividends: \$nil
- Risk free interest rate: 1.81% to 2.15%

**(c) Expenses Recognised from Share-Based Payment Transactions**

The expense recognised in relation to the share-based payment transactions was recorded within employee benefits expense in the statement of comprehensive income were as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Equity instruments issued under employee share plan	339,866	80,062
Shares issued under employee share plan	31,255	85,010
Total expenses recognised from share-based payment transactions	<u>371,121</u>	<u>165,072</u>

**NOTE 22: DIRECTORS' AND EXECUTIVE COMPENSATION**

**Compensation by Category**

Short-term employment benefits	1,771,315	1,802,300
Post-employment benefits	119,838	118,210
Share-based payments	290,885	116,311
	<u>2,182,038</u>	<u>2,036,821</u>

**NOTE 23: SUBSIDIARIES AND RELATED PARTY DISCLOSURES**

The consolidated financial statements include the financial statements of dorsaVi Ltd and its controlled entities listed below:

	Country of incorporation	Ownership interest held by DVL	
		2017 %	2016 %
dorsaVi Europe Ltd	UK	100	100
dorsaVi USA, Inc.	USA	100	100
Australian Workplace Compliance Pty Ltd	AUS	100	100

- dorsaVi Europe Ltd was incorporated on 3 February 2014.
- dorsaVi USA, Inc. was incorporated on 19 May 2014.
- Australian Workplace Compliance Pty Ltd was purchased on 3 July 2014.

**(a) Transactions with Entities with Associates:**

Superspine Forrest Hill Unit Trust is considered an associate of dorsaVi Ltd, as dorsaVi Ltd has a 25% ownership in the entity. There is a loan receivable from Superspine Forrest Hill Unit Trust of \$26,607 (2016: \$26,607) at year-end. There is also loan payable at balance date for \$1,000 (2016: \$1,000) included in Payables at Note 14.

**(b) Transactions with Directors, Key Management Personnel and Other Related Parties:**

During the year ended 30 June 2017, dorsaVi Ltd paid \$54,120 (2016: \$49,163) to Starfish Technology Fund II, LP on behalf of Michael Panaccio for director's fees.

Starfish Ventures Pty Ltd is a related party as it is connected with a director of dorsaVi Ltd. During the year ended 30 June 2017, Starfish Ventures Pty Ltd charged rent to dorsaVi Ltd. Total value of these rental charges was \$121,970 (2016: \$105,995). The rent was charged to dorsaVi on normal terms and conditions. The balance outstanding at balance date was \$14,916 (2016: \$20,772) included in Trade Payables at Note 14.

During the year ended 30 June 2017, dorsaVi Ltd paid \$nil (2016: \$20,011) to Simon Heaysman, paid \$nil (2016: \$2,224) to Dane Heaysman (both inclusive of expense claim reimbursements) and paid \$104,038 (2016: \$97,754) to Safety Assess Pty Ltd, a related company of Dane Heaysman. These amounts are on normal commercial terms and were paid to these parties in their capacity as ViSafe Assessors on various ViSafe projects throughout the financial year. These individuals and company are related to dorsaVi through their relationship to their father, Mr Mark Heaysman.

**NOTE 24: AUDITOR'S REMUNERATION**

	2017 \$	2016 \$
<b>Amounts Paid and Payable to Pitcher Partners Melbourne for:</b>		
<b>(i) Audit and Other Assurance Services</b>		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	79,400	107,125
Total remuneration for audit and other assurance services	<u>79,400</u>	<u>107,125</u>
<b>(ii) Other Non-audit Services</b>		
Taxation and other Compliance Services	26,831	24,595
Total remuneration for non-audit services	<u>26,831</u>	<u>24,595</u>
Total remuneration of Pitcher Partners Melbourne	<u><u>106,231</u></u>	<u><u>131,720</u></u>

**NOTE 25: PARENT ENTITY INFORMATION**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Summarised Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	20,108,383	15,575,009
Non-current assets	2,988,293	1,370,113
<b>Total assets</b>	<u>23,096,676</u>	<u>16,945,122</u>
<b>Liabilities</b>		
Current liabilities	1,859,915	1,856,846
Non-current liabilities	30,340	18,892
<b>Total liabilities</b>	<u>1,890,255</u>	<u>1,875,738</u>
<b>Net assets</b>	<u>21,206,421</u>	<u>15,069,384</u>
<b>Equity</b>		
Contributed capital	38,440,518	30,709,796
Share-based payment reserve	584,162	228,367
Accumulated losses	(17,818,259)	(15,868,779)
<b>Total equity</b>	<u>21,206,421</u>	<u>15,069,384</u>
<b>(b) Summarised Statement of Comprehensive Income</b>		
Loss for the year	(1,964,808)	(3,124,993)
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>(1,964,808)</u>	<u>(3,124,993)</u>

**NOTE 26: SEGMENT INFORMATION**

**(a) Description of Segments**

The Group's chief operating decision maker has identified the following reportable segments:

- Segment 1: Australia
- Segment 2: Europe
- Segment 3: United States of America

Management differentiates operating segments based on geographical areas and regulatory environments. The type of products and services from which each reportable segment derives its revenue is considered the same.

The operating segments have been identified based on internal reports reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance.

**(b) Segment Information**

The Group's chief operating decision maker's use segment revenue and segment result to assess the financial performance of each operating segment.

Amounts for segment information are measured in the same way in the financial statements. They include items directly attributable to the segment and those that can reasonably be allocated to the segment based on the operations of the segment. There has been no inter-segment revenue or expenses during the year.



**dorsaVi Ltd and controlled entities**  
**ABN: 15 129 742 409**

Segment information is reconciled to financial statements and underlying profit disclosure notes as follows:

<b>2017</b>	<b>Australia</b>	<b>Europe</b>	<b>USA</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Revenue</b>				
Total Segment Revenue	2,037,596	675,438	1,184,848	3,897,882
<b>Segment Revenue from External Source</b>	2,037,596	675,438	1,184,848	3,897,882
<b>Segment Result</b>				
Total Segment Result	(1,964,808)	(468,145)	(1,443,295)	(3,876,248)
<b>Segment Result from External Source</b>	(1,964,808)	(468,145)	(1,443,295)	(3,876,248)
<b>Items Included within the Segment Result:</b>				
Grant income	258,370	-	-	258,370
Interest income	148,564	24	-	148,588
Depreciation and amortisation expense	(174,677)	-	-	(174,677)
Income tax benefit	802,940	38,259	-	841,199
<b>Total Segment Assets</b>	23,338,117	1,031,158	1,044,604	25,413,879
Elimination				(10,942,087)
Consolidated Segment Assets				14,471,792
Total Assets include:				
Additions to Non-current Assets	1,763,581	-	-	1,763,581
<b>Total Segment Liabilities</b>	(1,969,528)	(3,407,529)	(6,911,150)	(12,288,207)
Elimination				10,942,087
Consolidated Segment Liabilities				(1,346,120)
<b>2016</b>	<b>Australia</b>	<b>Europe</b>	<b>USA</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Revenue</b>				
Total Segment Revenue	2,056,587	727,749	453,802	3,238,138
<b>Segment Revenue from External Source</b>	2,056,587	727,749	453,802	3,238,138
<b>Segment Result</b>				
Total Segment Result	(3,124,993)	(567,605)	(1,544,504)	(5,237,102)
<b>Segment Result from External Source</b>	(3,124,993)	(567,605)	1,544,504	(5,237,102)
<i>Items included within the segment result:</i>				
Grant Income	86,455	-	-	86,455
Interest Income	129,122	43	-	129,165
Interest Expense	(3,094)	-	-	(3,094)
Depreciation and Amortisation Expense	(115,935)	-	-	(115,935)
Income Tax Benefit	678,465	-	-	678,465
<b>Total Segment Assets</b>	16,870,149	1,082,326	816,183	18,768,658
Elimination				(9,165,565)
Consolidated Segment Assets				9,603,093
Total Assets include:				
Additions to Non-current Assets	582,872	-	-	582,872
<b>Total Segment Liabilities</b>	(1,773,465)	(3,257,191)	(5,146,920)	(10,177,576)
Elimination				9,165,565
Consolidated Segment Liabilities				(1,012,011)

**(c) Major Customers**

In 2017 no customer contributed greater than 10% of the Group's total revenue. In the prior year, one major customer contributed external revenue of \$333,993 which was greater than 10% of the Group's total revenue. Revenue from this customer was included in the Europe segment.

**NOTE 27: SUBSEQUENT EVENTS**

With the exception of the following, no matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- On 14 July 2017, dorsaVi Ltd received 510(k) Clearance by the US Food and Drug Administration (FDA) for the next generation ViMove2 sensor designed to measure, record and analyse movement and muscle activity of the lower back.
- On 27 July 2017, the Remuneration Committee and the Board completed their assessments of the performance of key management personnel for the year ended 30 June 2017. Of the 795,666 performance rights and performance options previously granted in respect of that year it was confirmed that performance outcomes would result in 407,363 (51%) of these rights and options vesting. In accordance with performance agreements these rights and options will vest on 1 October 2017 and 1 January 2018.
- On 14 August 2017, dorsaVi Ltd issued 250,000 fully paid ordinary shares, at \$nil per share, to employees, under the dorsaVi ESOP. The issue of these shares arose on the vesting of 250,000 performance rights previously granted as a result of those employees meeting the performance conditions attached to the rights.
- On 28 August 2017, dorsaVi Ltd announced that Herb Elliott had advised the Board of his intention to retire as Chairman and as a director of dorsaVi at the Company's Annual General Meeting (AGM) to be held on 23 November 2017. Mr Greg Tweedly, the current Chair of the Audit and Risk Committee, will succeed Herb Elliott as Chairman at the AGM.

## **Directors' Declaration**

The directors declare that the financial statements and notes set out on pages 30 to 59 in accordance with the *Corporations Act 2001*:

- a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
- c) Give a true and fair view of the financial position of the Group as at 30 June 2017 and of its performance for the year ended on that date.

In the directors' opinion, there are reasonable grounds to believe that dorsaVi Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

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

Herb Elliott  
Director and Chairman



Melbourne  
Date: 28 August 2017

Andrew Ronchi  
Director and CEO



Melbourne  
Date: 28 August 2017

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of dorsaVi Ltd "the Company" and controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the dorsaVi Ltd and controlled entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd**

Key Audit Matter	How our audit addressed the key audit matter
<b>Recognition of revenue- \$3,897,882</b> <b>Refer to Note 4 'Revenue and other income'</b>	
<p>The Group's three largest revenue streams are:</p> <ul style="list-style-type: none"> <li>• The sale of devices and consumables,</li> <li>• Rental of devices; and,</li> <li>• The provision of consulting services.</li> </ul> <p>Consulting service revenue stream (FY17: \$1,911,091, FY16: \$1,737,388) includes contracts that account for revenue based on the percentage of completion method, calculated on management's estimation of work completed to balance date and against set project milestones.</p> <p>The accurate recording of consulting service revenue is highly dependent on management's internal project management system, in order to track the completion of milestones and tasks.</p> <p>Key elements of the internal project management system includes:</p> <ul style="list-style-type: none"> <li>• Accurately estimating total effort to complete project at initiation of the contract;</li> <li>• Management's estimation of work completed to date; and</li> <li>• Estimate of the cost to complete, including identification of potential project over-runs.</li> </ul> <p>We focused on this area as a key audit matter due to the number and type of estimation events over the course of the contract life, in determining revenue recognition for consulting services.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• We evaluated managements' process regarding the recognition of revenue for consulting services, which included a review of the project management system utilised. This included obtaining an understanding of the milestone and task completion tracking capability, and the internal project delivery function.</li> <li>• We selected a sample of contracts, and performed the following procedures: <ul style="list-style-type: none"> <li>○ We obtained and reviewed the original contract and associated terms;</li> <li>○ We assessed the revenue recognised under the percentage of completion method, including the effort to date, effort remaining and an assessment of any applicable changes to scope or delivery issues;</li> <li>○ We agreed progress payments made by customers for projects with billing milestones in order to assess the likelihood of the recovery for the works completed; and</li> <li>○ We evaluated contract performance in the period since balance date to determine whether there have been any material adverse changes in the delivery of projects.</li> </ul> </li> </ul>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd**

Key Audit Matter	How our audit addressed the key audit matter
<b>Capitalisation of development costs - \$1,481,771</b> <b>Refer to Note 12 'Intangible Assets'</b>	
<p>The research and development of new and existing technology is part of the Group's operations. Each project undertaken represents an investment made by the business, for which future economic benefits are expected to be derived.</p> <p>The capitalisation of any development costs is highly subject to management judgement and is also subject to various recognition criteria as per AASB 138 <i>Intangible assets</i>.</p> <p>Key management considerations to be made include the following:</p> <ul style="list-style-type: none"> <li>• Stage of the development cycle - research vs development;</li> <li>• Ability to accurately record and allocate costs incurred for individual projects, including employee costs; and</li> <li>• Technical and commercial viability of individual projects undertaken.</li> </ul> <p>We focused on this area as a key audit matter due to the number and type of judgement and estimation events required for each of the development projects.</p>	<p>Our procedures included amongst others:</p> <p>We selected from a sample of transactions which had been included within the capitalised development costs and subsequently performed the following:</p> <ul style="list-style-type: none"> <li>• We obtained and reviewed management reconciliations for the amounts capitalised;</li> <li>• We tested the mathematical accuracy of reconciliations prepared for costs that had been capitalised;</li> <li>• Reviewing the employee costs allocated to the different development projects, and testing a sample of employee rates and captured hours for the internal amounts capitalised and traced to timesheets;</li> <li>• Reviewing the external contractor costs allocated to the different development projects, and sampling and testing contractor costs to supporting information to substantiate the expenditure;</li> <li>• We evaluated management's process surrounding the capitalisation of development costs. This included reviewing development projects against the recognition criteria as per AASB 138 <i>Intangible assets</i>; and</li> <li>• As part of our assessment, we challenged management of both the development and operations teams to assess the technical and commercial viability/ commercialisation expectations of the development costs capitalised.</li> </ul>

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd

### *Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF dorsaVi Ltd

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 18 to 28 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of dorsaVi Ltd, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



F V RUSSO  
Partner



PITCHER PARTNERS  
Melbourne

28 August 2017



## SHAREHOLDER INFORMATION

### Corporate Governance

The Group's Corporate Governance Statement can be obtained at <http://dorsavi.com/investor-relations/>

### Overview

The Group's securities are listed for quotation in the form of Ordinary Shares on the Australian Securities Exchange (ASX) and trade under the symbol "DVL". The shareholder information below was applicable as at 14 August 2017.

The Group's share capital was as follows:

Type of Security	Number of Securities	Number of Holders
Ordinary Shares (Shares)	167,555,859	817
Options	1,600,000	4
Performance Rights	3,499,000	9

### Substantial Holders

Names of Holders	Number of Shares Held	% of Total Shares
Starfish Technology Fund II, LP, Starfish Ventures, Michael Panaccio and Christiana Panaccio and Micana Family Trust	72,767,755	43.43%

### Unmarketable Parcels

Based on the closing market price on 14 August 2017, there were 79 shareholders holding less than a marketable parcel (i.e. a parcel of securities of less than \$500).

### Options and Performance Rights (not listed on ASX)

There were 1,600,000 unquoted options on issue to purchase ordinary shares under the Group's Incentive Stock Option Agreement. The Options have been issued in accordance with the terms and conditions of the dorsaVi Ltd 2013 Share Ownership Plan.

There were 3,499,000 unquoted Performance Rights granted, but not vested into ordinary shares, under the Group's Incentive Agreements. The Performance Rights have been granted in accordance with the terms and conditions of the dorsaVi Ltd 2013 Share Ownership Plan.

### Restricted Securities and Escrow Agreements

There are no securities which are restricted or subject to escrow agreements.

### Voting Rights

At a general meeting, each Shareholder present (in person or by proxy, attorney or representative) has one vote on a show of hands and one vote for each share held when voting is done via a poll.

Proxy forms will be included in each notice of meeting sent to Shareholders. Holders of issued but unexercised options are not entitled to vote.

### Distribution Schedule

Number of Shares	Number of Holders
1 – 1,000	28
1,001 – 10,000	348
10,001 – 100,000	282
100,001 – 1,000,000	140
1,000,001 and above	19
<b>Total</b>	<b>817</b>

## Required Statements

- a) There is no current on-market buy-back of the Group's securities.
- b) The Group's securities are not quoted on any exchange other than the ASX.

## dorsaVi's Top 20 Shareholders

Set out below is a schedule of the 20 largest holders of each class of securities quoted.

	<b>Name of Registered Holder</b>	<b>No. of Shares Held</b>	<b>% of Total Shares</b>
1.	STARFISH TECHNOLOGY FUND II LP	60,597,345	36.17
2.	AR BSM PTY LTD <AR BSM A/C>	7,021,814	4.19
3.	UBS NOMINEES PTY LTD	6,439,439	3.84
4.	STARFISH TECHNOLOGY FUND II NOMINEES A PTY LTD	5,203,782	3.11
5.	STARFISH TECHNOLOGY FUND II NOMINEES B PTY LTD	5,203,781	3.11
6.	CITICORP NOMINEES PTY LIMITED	4,467,435	2.67
7.	MS GABRIELLE BANAY	3,634,491	2.17
8.	BENTALE PTY LTD <ALLAMBI ROAD FAMILY A/C>	3,598,637	2.15
9.	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,206,157	1.91
10.	DANIEL RONCHI	2,401,138	1.43
11.	GARSIND PTY LTD <RUTH ROSS SUPER FUND A/C>	1,984,357	1.18
12.	MOZLEY PTY LTD <LONNY INVESTMENTS A/C>	1,340,218	0.80
13.	ANDREW RONCHI	1,309,732	0.78
14.	MORRMAC PTY LTD <MIMIE MACLAREN PENSION A/C>	1,294,231	0.77
15.	LEVENSON INVESTMENTS PTY LTD <LEVENSON INVESTMENT A/C>	1,258,147	0.75
16.	DR BSM PTY LTD <DR BSM A/C>	1,233,353	0.74
17.	MR FRANCIS ROSS SELLENGER + MRS DIANA ELIZABETH SELLENGER <LOUANDI SUPER FUND A/C>	1,205,385	0.72
18.	MRS ROSALIND LAWRENCE <ROSALIND LAWRENCE PSF A/C>	1,089,923	0.65
19.	MR WILLIAM HARRIS + MRS JANE HARRIS <HARRIS FAMILY SUPERFUND A/C>	1,060,000	0.63
20.	MR MARK STEPHEN HEAYSMAN	989,375	0.59
	<b>Total shares held by top 20 shareholders</b>	<b>114,538,740</b>	<b>68.36</b>
	<b>Total shares held by all other shareholders</b>	<b>53,017,119</b>	<b>31.64</b>

## **Corporate Directory**

### **Board of Directors and Company Secretary**

Mr Herbert Elliott	Chairman
Mr Ashraf Attia	Non-Executive Director
Dr Michael Panaccio	Non-Executive Director
Dr Andrew Ronchi	Chief Executive Officer and Executive Director
Mr Gregory Tweedly	Non-Executive Director
Mr Brendan Case	Company Secretary

### **Executive Team**

Dr Andrew Ronchi	Chief Executive Officer
Mr Damian Connellan	Chief Financial Officer
Mr Mark Heaysman	
Ms Meagan Blackburn	
Ms Zoe Whyatt	
Mr Matthew May	
Ms Megan Connell	
Mr Muhammad Umer	

### **Registered Office in Australia**

C/- Pitcher Partners, Level 19,  
15 William Street, Melbourne, VIC 3000  
Tel. +61 3 8610 5000

### **Principal Administrative Office**

Level 1, 120 Jolimont Rd,  
Melbourne East, VIC 3002  
Tel. 1800 367 7284

### **Auditor**

Pitcher Partners  
Level 19, 15 William Street,  
Melbourne, VIC 3000  
Tel: +61 3 8610 5000

### **Share Registry**

Computershare Investor Services Pty Limited  
GPO BOX 242, Melbourne, VIC 3001  
Tell: + 61 3 9415 5000

### **Investor Relations**

Ms Rebecca Wilson  
Buchan Consulting  
T: +61 3 9866 4722

### **Annual General Meeting Date and Place**

The Annual General Meeting will be held Thursday,  
23 November 2017 at 10:00 am at:  
Offices of Pitcher Partners, Level 19,  
15 William Street, Melbourne, Victoria, 3000





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