

For personal use only



## **IOT Group Limited**

**ABN 66 140 475 921  
and Controlled Entities**

### **Financial Report**

**For the year ended 31 December 2017**

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Contents

### Financial Report

|   |    |
|---|----|
| Directors' Report   | 3  |
| Remuneration Report   | 12 |
| Auditor's Independence Declaration                                      | 17 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 18 |
| Consolidated Statement of Financial Position                            | 20 |
| Consolidated Statement of Changes in Equity                             | 21 |
| Consolidated Statement of Cash Flows                                    | 23 |
| Notes to the Financial Statements                                       | 24 |
| Director's Declaration  | 66 |
| Independent Audit Report  | 67 |
| Other Information   | 72 |

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Directors' Report

Your directors present their report on the consolidated entity ('the Group') consisting of IOT Group Limited and its controlled entities for the financial year ended 31 December 2017.

### General Information

#### Principal Activities

The principal activity of the consolidated group during the financial year was in the Internet of Things sector.

#### Significant Changes to Activities

There have been no significant changes in the state of affairs of the parent entity during the financial year.

#### Operating Results

The consolidated loss of the consolidated group amounts to \$8,335,229 (2016: \$15,042,200) after providing for income tax.

#### Review of Operations

The Company focussed on the core business of marketing and selling the IOT Group's range of selfie drones, including the ROVA and the AirSelfie, in North American, European, Australian and Latin American markets. The Company signed an agreement with US sales accelerator SPRING in quarter 3 to boost sales and marketing activity prior to the Christmas period in North America, its main market. In addition, in the latter half of 2017 the Company hired an operations manager in North America to manage its sales and distribution business in that market.

There were no discontinued operations during the period. As reported in the 2016 report, 2017 was spent scaling up the flying selfie business and delivering sales to key customers.

Staff numbers were scaled back and operating costs were significantly reduced, with key core staff remaining at the end of the year.

#### Financial Position

The net assets of the consolidated group have decreased by \$4,760,819 from 31 December 2016 to \$1,966,655 in 31 December 2017. This decrease is largely due to the following factors:

- Loss for the period of \$8,335,229.
- This has been partially offset by capital raising of \$3,031,750.

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Significant Changes in State of Affairs

There has been no change in the state of affairs for the company.

There were no changes in holdings of controlled entities and divisions.

## Directors

As at the time of this report, the following persons were directors of IOT Group Limited:

Mr Steven Kayalicos (appointed 21 August 2017)

Mr Sean Neylon (appointed 21 August 2017)

Mr John Forder (appointed 23 August 2017)

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

Particulars of each director's experience and qualifications are:

|  |   |
|--|---|
| <b>Steven Kayalicos</b>  | 21 August 2017 to present   |
| Qualifications   | -   |
| Experience   | Experienced Director and Strong Professional with a demonstrated history of working in the consumer goods industry. Skilled in Marketing, Management, Negotiation, Sales, Retail, Sourcing, Manufacturing and International Business. |
| Interest in Shares and Options   | 2,376,316 shares & 3,505,259 options  |
| Special Responsibilities   | Chief executive officer and executive director  |
| Directorships held in other listed entities during the three years prior to the current year | -   |
| <b>Sean Neylon</b>   | 21 August 2017 to present   |
| Qualifications   | -   |
| Experience   | Mr Sean Neylon is the Founder/Executive Director of IOT Group Limited.  |
| Interest in Shares and Options   | 44,519,264 shares & 69,568,361 options  |
| Special Responsibilities   | Executive director  |
| Directorships held in other listed entities during the three years prior to the current year | -   |

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

|  |   |
|--|---|
| <b>John Forder</b>   | 23 August 2017 to present   |
| Qualifications   | -   |
| Experience   | <p>Mr John Forder is an experienced senior e-commerce change manager from the traditional "bricks and mortar" to the new world of e-commerce logistics and 3PL. Consultant with a complex range of skills in the unique e-commerce environment, in particular establishment and management of third party logistics operations and supply chain solutions tailor made for the e-commerce unique requirements.</p> <p>A proven track record in solution design for FMCG, Retail, B2C, B2B and Industrial Logistics coupled with a sound base in IT solutions, IT project management and compliance.</p> <p>A solid leader of people in IT solutions, operational and project environments in the e-commerce and 3PL. Consulted in numerous e-commerce transitions and integration.</p> <p>An excellent influencer of senior management having had 15 years' experience of influencing at all levels including CEO's / Board Directors.</p> |
| Interest in Shares and Options   | 50,000 shares   |
| Special Responsibilities   | Non-executive director  |
| Directorships held in other listed entities during the three years prior to the current year | -   |

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Company Secretary

The company secretary is Ron Hollands and details of his experience and qualifications are:

### Ron Hollands

#### Qualifications

B. Bus (UTS), MBA (MGSM), Grad Dip Corporate Governance

#### Experience

Mr Ron Hollands holds a Bachelor of Business, an MBA and a Graduate Diploma in Corporate Governance, is a member of the Institute of Chartered Accountants, holds a certificate of Public Practice and is a registered tax agent.

Ron is currently the Company Secretary for Real Energy Corporation Limited (RLE) and Ashley Services Group Limited (ASH) and was previously CFO and Company Secretary of Wentworth Holdings Limited (WWM – now Thorney Opportunities Limited), a listed real estate and then investment company. He is a Chartered Accountant with over 25 years experience in accounting, corporate finance and company secretarial matters. His career includes working in professional accounting firms and acting as Company Secretary and/or CFO for a number of company's in a range of industries.

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Events After the Reporting Period

On the 9<sup>th</sup> of January 2018, IOT Group Limited issued 1,031,250 fully paid ordinary class shares at \$0.008 per share to Max Markson in consideration for Air Selfie Public Relations services.

On the 19<sup>th</sup> of January 2018, IOT Group Limited lodged a prospectus for a pro rata non-renounceable entitlement offer in order to raise approximately \$2,311,615 (before costs):

- One new share for every four existing shares held by existing eligible shareholders on 25 January 2018 at \$0.009 per share, together with one free attaching option exercisable at \$0.011 for every share subscribed for and issued.

Subsequently on the 6<sup>th</sup> of February 2018, IOT Group Limited resolved to extend the closing date of the non-renounceable entitlement issue to 5pm (AEDT) on 23 February 2018.

Further to this, on the 9<sup>th</sup> of February 2018, IOT Group Limited submitted a supplementary prospectus intending to be read with the prospectus dated 19 January 2018.

On 1<sup>st</sup> February 2018, IOT Group Limited issued 2,777,778 fully paid ordinary shares at a deemed issue price of \$0.009 per share to Sirius Capital Pty Ltd for services.

On 7<sup>th</sup> February 2018, IOT Group Limited signed a binding term sheet with RUNA Pty Ltd. IOT will have a 25% interest in Runa.

On 21<sup>st</sup> February 2018, IOT Group Limited issued 7,906,250 fully paid ordinary shares at a deemed issue price of \$0.008 per share.

## Future Developments, Prospects and Business Strategies

Current areas of strategic focus of the Group include the following:

- Selling through stocks of ROVA and AirSelfie v1 in quarter 1 2018
- Rollout program of new products to be launched, including AirSelfie v2 in quarter 2 of 2018
- Developing Runa app
- Seeking further Internet of Things opportunities



# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Environmental Issues

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

## Dividends Paid or Recommended

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

## Insurance of Directors and Officers

The Company has entered into an agreement to insure the directors and officers of the Company. The liabilities insured are legal costs that may be incurred defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

## Indemnifying Officers or Auditor

The Company has agreed to indemnify and keep indemnified Directors and officers against any liability: incurred in connection with, or as a consequence of the director or officer acting in that capacity, including representing the Company on any body corporate; and for legal costs incurred in defending an action in connection with or as a consequence of the Director or officer acting in that capacity.

The indemnity only applies to the extent of the amount that the Directors are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company, under the general law or otherwise.

The indemnity does not extend to any liability:

- to the Company or a related body corporate of the Company;
- arising out of conduct of the Directors or officers involving a lack of good faith; or
- which is in respect of any negligence, default, breach of duty or breach of trust of which the directors or officers may be guilty in relation to the Company or related body corporate.

No liability has arisen under these indemnities as at the date of this report.

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Proceedings on Behalf of Company

At the time of this report, no person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2017 has been received and can be found on page 17 of the financial report.

## Options

At the date of this report, the unissued ordinary shares of IOT Group Limited under option are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number under Option |
|------------|----------------|----------------|---------------------|
| 23/03/2016 | 30/06/2019     | \$0.07         | 4,515,776           |
| 23/03/2016 | 30/06/2019     | \$0.07         | 12,042,068          |
| 23/03/2016 | 30/06/2019     | \$0.07         | 30,105,171          |
| 20/06/2016 | 31/12/2022     | \$0.18238      | 17,500,000          |
| 20/06/2016 | 31/12/2022     | \$0.18238      | 15,500,000          |
| 17/08/2016 | 31/12/2022     | \$0.09         | 7,750,000           |
| 20/02/2017 | 31/12/2022     | \$0.09         | 27,500,000          |
| 20/02/2017 | 31/12/2022     | \$0.10         | 21,000,000          |
| 20/02/2017 | 31/12/2022     | \$0.03505      | 3,000,000           |
| 20/02/2017 | 31/12/2022     | \$0.03505      | 6,600,000           |
| 19/10/2017 | 31/12/2027     | \$0.05         | 20,000,000          |
| 19/10/2017 | 31/12/2027     | \$0.075        | 10,000,000          |
| 19/10/2017 | 31/12/2027     | \$0.10         | 10,000,000          |
| 11/12/2017 | 30/06/2019     | \$0.015        | 5,000,000           |
| 18/12/2017 | 31/12/2019     | \$0.0125       | 58,200,000          |

The following options were granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

| Grant Date | Date of Expiry | Exercise Price | Number under Option |
|------------|----------------|----------------|---------------------|
| 17/01/2018 | 31/12/2027     | \$0.05         | 20,000,000          |
| 17/01/2018 | 31/12/2027     | \$0.075        | 20,000,000          |
| 16/02/2018 | 31/01/2019     | \$0.011        | 256,846,132         |

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Meetings of Directors

During the financial year, 9 meetings of directors, including committee meetings were held. Attendances by each director during the year were as follows:

|                  | Directors' Meetings       |                 | Audit & Risk Committee    |                 |
|------------------|---------------------------|-----------------|---------------------------|-----------------|
|                  | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Steven Kayalicos | 4                         | 4               | 1                         | 1               |
| Sean Neylon      | 4                         | 4               | 1                         | 1               |
| John Forder      | 4                         | 4               | 1                         | 1               |
| Scott Brown      | 3                         | 3               | 1                         | 1               |
| Ian Duffell      | 3                         | 3               | 1                         | 1               |
| Tod McGrouther   | 3                         | 3               | 1                         | 1               |
| Robert Smith     | -                         | -               | -                         | -               |

## Corporate Governance Statement

The company's corporate governance practices and policies have been made publicly available on the company's website at <https://au.theiotgroup.com/pages/investor-centre>.

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Remuneration Report

### Remuneration Policy

All Key Management Personnel (KMP) and directors of IOT Group Limited were engaged on fixed remuneration. The Board of IOT Group Limited believes, given the size and operations of the Company during the period, that the remuneration policy was appropriate.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for their time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

### Employment Details of Members of Key Management Personnel (KMP)

| KMP                     | Position held as at 31 December 2017 and any change during the year  | Proportions of Elements of Remuneration Not Related to Performance |
|-------------------------|--|--|
| Mr Steven Kayalicos     | Chief executive officer and executive director   | 100%   |
| Mr. Sean Neylon         | Executive director<br>(commenced 21 August 2017)<br>Head of sales and marketing<br>(ceased 21 August 2017) | 100%   |
| Mr John Forder          | Non executive director   | 100%   |
| Mr Nigel Braund         | Chief financial officer  | 100%   |
| Mr. Ian Duffell         | Strategic business development<br>(current position)<br>Executive director<br>(resigned 21 August 2017)    | 100%   |
| Mr. Scott Brown         | Non-executive chairman and director<br>(resigned 7 August 2017)  | 100%   |
| Mr. Tod McGrouther      | Non-executive director<br>(resigned 7 August 2017)   | 100%   |
| Ms. Linda Bartholomeusz | Chief financial officer<br>(resigned 30 June 2017)   | 100%   |

There was no proportion of elements of remuneration related to performance paid to any key management personnel.

The employment terms and conditions of all KMP are formalised in contracts of employment.

### Changes in Directors and Executives Subsequent to Year-End

Nil

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Remuneration Expense Details for the Year Ended 31 December 2017

The following table of benefits and payments represents the components of the current year remuneration expenses for each member of KMP and director of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

### Table of Benefits and Payments for the Year Ended 31 December

|                              |      | Short Term Benefits | Long Term Benefits | Equity-settled Share-based Payments | Total       |
|------------------------------|------|---------------------|--------------------|-------------------------------------|-------------|
|                              |      | Remuneration        | Superannuation     | Shares/Options                      |             |
| Mr. Steven Kayalicos         | 2017 | \$23,951            | -                  | -                                   | \$23,951    |
|                              | 2016 | -                   | -                  | -                                   | -           |
| Mr. Sean Neylon <sup>^</sup> | 2017 | \$330,000           | -                  | \$76,000                            | \$406,000   |
|                              | 2016 | \$305,000           | -                  | \$75,350                            | \$380,350   |
| Mr. John Forder              | 2017 | \$27,500            | -                  | -                                   | \$27,500    |
|                              | 2016 | -                   | -                  | -                                   | -           |
| Mr. Nigel Braund             | 2017 | \$100,000           | \$9,500            | \$36,000                            | \$145,500   |
|                              | 2016 | -                   | -                  | -                                   | -           |
| Mr. Ian Duffell              | 2017 | \$330,000           | \$27,075           | \$76,000                            | \$433,075   |
|                              | 2016 | \$297,499           | \$28,262           | \$75,350                            | \$401,111   |
| Mr. Scott Brown              | 2017 | \$37,860            | -                  | \$74,558                            | \$112,418   |
|                              | 2016 | \$75,000            | -                  | \$56,513                            | \$131,513   |
| Mr. Tod McGrouther           | 2017 | \$26,051            | -                  | \$111,837                           | \$137,888   |
|                              | 2016 | \$12,500            | -                  | -                                   | \$12,500    |
| Mr. Robert Smith             | 2017 | \$45,946            | -                  | -                                   | \$45,946    |
|                              | 2016 | -                   | -                  | -                                   | -           |
| Ms. Linda Bartholomeusz      | 2017 | \$112,608           | \$10,698           | \$107,541                           | \$230,847   |
|                              | 2016 | \$163,333           | \$15,516           | \$37,675                            | \$216,524   |
| Mr. Richard Woods            | 2017 | -                   | -                  | -                                   | -           |
|                              | 2016 | \$27,041            | -                  | -                                   | \$27,041    |
| Mr. Nigel Harvey             | 2017 | -                   | -                  | -                                   | -           |
|                              | 2016 | \$12,245            | -                  | \$154,904                           | \$167,149   |
| Mr. Simon Kantor             | 2017 | -                   | -                  | -                                   | -           |
|                              | 2016 | \$678,461*          | -                  | \$94,188                            | \$772,649   |
| Total                        | 2017 | \$1,033,916         | \$47,273           | \$481,936                           | \$1,563,125 |
|                              | 2016 | \$1,571,079         | \$43,778           | \$493,980                           | \$2,108,837 |

\*Simon Kantor was paid \$454,000 as part of a legal settlement. Please refer to note 5 for more details.

<sup>^</sup> Amounts include payments to related parties.

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Securities Received that are Not Performance-Related

No members of KMP and directors are entitled to receive securities that are not performance-based as part of their remuneration package.

## Cash Bonuses, Performance-Related Bonuses and Share-Based Payments

No cash bonuses, performance-related bonuses or share based payments were made during the year to KMP or directors.

## Options Granted as Remuneration

|                         | Balance at the beginning of the year (or at date of appointment) | Grant Details |            |          | Balance at the end of the year (or at date of resignation) |
|-------------------------|--|---------------|------------|----------|--|
|                         |  | Issue Date    | No.        | Value \$ |  |
| Mr. Steven Kayalicos    | 3,505,259  | -             | -          | -        | 3,505,259  |
| Mr. Sean Neylon         | 29,568,361   | 18/12/2017    | 10,000,000 | 38,170   | 69,568,361   |
| Mr. John Forder         | -  | -             | -          | -        | -  |
| Mr. Nigel Braund        | -  | 19/10/2017    | 5,000,000  | 20,422   | 10,000,000   |
|                         |  | 19/10/2017    | 5,000,000  | 17,239   |  |
| Mr. Scott Brown         | 7,500,000  | -             | -          | -        | 7,500,000  |
| Mr. Ian Duffell         | 16,021,034   | 20/02/2017    | 10,000,000 | 149,116  | 46,021,034   |
|                         |  | 19/10/2017    | 10,000,000 | 30,130   |  |
|                         |  | 19/10/2017    | 10,000,000 | 40,845   |  |
| Mr. Tod McGrouther      | -  | -             | -          | -        | -  |
| Mr. Robert Smith        | -  | -             | -          | -        | -  |
| Ms. Linda Bartholomeusz | 5,000,000  | -             | -          | -        | 5,000,000  |

All options granted as remuneration are vested and fully exercisable as at the date of this report.

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## KMP Shareholdings

The number of ordinary shares in IOT Group Limited held by each KMP and director of the Group during the financial year is as follows:

|                         | Balance at 1 January 2017 (or at time of appointment) | Granted as Remuneration during the year | Issued on Exercise of options during the year | Other changes during the year | Balance at 31 December 2017 (or at time of resignation) |
|-------------------------|---|---|---|-------------------------------|---|
| Mr. Steven Kayalicos    | 2,376,316   | -                                       | -   | -                             | 2,376,316   |
| Mr. Sean Neylon         | 44,519,264  | -                                       | -   | -                             | 44,519,264  |
| Mr. John Forder         | -   | -                                       | -   | 50,000                        | 50,000  |
| Mr. Nigel Braund        | -   | -                                       | -   | -                             | -   |
| Mr. Scott Brown         | 788,716   | -                                       | -   | -                             | 788,716   |
| Mr. Ian Duffell         | 8,777,135   | -                                       | -   | 1,441,505                     | 10,218,640  |
| Mr. Tod McGrouther      | 18,131,060  | -                                       | -   | -                             | 18,131,060  |
| Mr. Robert Smith        | -   | -                                       | -   | -                             | -   |
| Ms. Linda Bartholomeusz | -   | -                                       | -   | -                             | -   |

## Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

For personal use only

# IOT Group Limited

ABN 66 140 475 921  
and Controlled Entities

## Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

**Dated this 26th day of February 2018**

A handwritten signature in black ink that reads "Sean Neylon". The signature is written in a cursive style with a long horizontal flourish extending to the right.

**Mr Sean Neylon**

For personal use only





# A D Danieli Audit Pty Ltd

Authorised Audit Company  
ASIC Registered Number 339233  
Audit & Assurance Services

Level 1, 261 George Street  
Sydney NSW 2000  
PO Box H88  
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099  
Fax: (02) 9262 2502

Email: [add3@addca.com.au](mailto:add3@addca.com.au)  
Website: [www.addca.com.au](http://www.addca.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF IOT GROUP LIMITED  
A.B.N. 66 140 475 921  
AND CONTROLLED ENTITIES**

I declare that, to the best of our knowledge and belief, during the year ended 31 December 2017, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

**A D DANIELI AUDIT PTY LTD**

**Sam Danieli**

**Sydney, 26<sup>th</sup> of February 2018**

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | Notes | Consolidated<br>Year Ended<br>31 Dec 2017<br>\$ | Consolidated<br>Year Ended<br>31 Dec 2016<br>\$ |
|---|-------|---|---|
| Sales revenue   |       | 1,484,800                                       | -   |
| Cost of sales   |       | <u>(2,332,721)</u>                              | <u>-</u>  |
| Gross profit/(loss)                                     |       | (847,921)                                       | -   |
| Other income  | 4     | 989,966   | 260,788   |
| Depreciation  |       | (89,986)  | (71,412)  |
| Employee benefits                                       |       | (2,704,292)                                     | (2,022,691)                                     |
| Finance costs   |       | (14,962)  | (8,613)   |
| Amortisation  | 18    | -   | (99,358)  |
| Impairment  | 18    | -   | (4,324,200)                                     |
| Professional fees                                       |       | (1,253,769)                                     | (981,562)                                       |
| Sales and marketing                                     |       | (2,766,690)                                     | (2,604,742)                                     |
| Travel  |       | (277,469)                                       | (361,137)                                       |
| R&D expenses  |       | (66,224)  | (1,584,387)                                     |
| Legal settlement  | 5     | -   | (1,381,000)                                     |
| Share based payment                                     | 29    | (393,571)                                       | -   |
| Other expenses from ordinary activities                 |       | <u>(651,486)</u>                                | <u>(421,669)</u>                                |
| <b>Profit/(Loss) from continuing operations</b>         |       | <u>(8,076,404)</u>                              | <u>(13,599,983)</u>                             |
| <b>Discontinued operations</b>                          |       |   |   |
| Profit/(loss) from discontinued operations after tax    | 7     | -   | (1,420,403)                                     |
| <b>Net profit/(loss) for the year</b>                   |       | <u>(8,076,404)</u>                              | <u>(15,020,386)</u>                             |
| <b>Other comprehensive income/(loss) for the period</b> |       |   |   |
| Foreign exchange gains/(losses)                         |       | <u>(258,825)</u>                                | <u>(21,814)</u>                                 |
|   |       | <u>(258,825)</u>                                | <u>(21,814)</u>                                 |
| <b>Total comprehensive Income/(loss) for the period</b> |       | <u>(8,335,229)</u>                              | <u>(15,042,200)</u>                             |

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

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | <b>Notes</b> | <b>Consolidated<br/>Year Ended<br/>31 Dec 2017<br/>\$</b> | <b>Consolidated<br/>Year Ended<br/>31 Dec 2016<br/>\$</b> |
|---|--------------|---|---|
| <b>Net profit/(loss) attributable to:</b>                 |              |   |   |
| Members of the parent                                     |              | (7,205,141)   | (14,978,556)  |
| Non-controlling interest                                  |              | <u>(871,263)</u>  | <u>(41,830)</u>   |
| Total   |              | <u>(8,076,404)</u>  | <u>(15,020,386)</u>                                       |
| <b>Total comprehensive income/(loss) attributable to:</b> |              |   |   |
| Members of the parent                                     |              | (7,410,413)   | (14,998,291)  |
| Non-controlling interest                                  |              | <u>(924,816)</u>  | <u>(43,909)</u>   |
| Total   |              | <u>(8,335,229)</u>  | <u>(15,042,200)</u>                                       |
| <b>Earnings per share</b>                                 |              |   |   |
| From continuing and discontinued operations:              |              |   |   |
| - Basic loss per share (cents)                            | 11           | (1.11)  | (2.66)  |
| - Diluted loss per share (cents)                          | 11           | (1.11)  | (2.66)  |

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

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

|                                  | Notes | Consolidated<br>As at<br>31 Dec 2017<br>\$ | Consolidated<br>As at<br>31 Dec 2016<br>\$ |
|----------------------------------|-------|--|--|
| <b>Current assets</b>            |       |  |  |
| Cash & cash equivalents          | 12    | 923,186                                    | 7,095,713                                  |
| Trade & other receivables        | 13    | 510,595                                    | 322,251                                    |
| Inventories                      | 14    | 382,443                                    | -  |
| Other current assets             | 15    | 1,166,219                                  | 1,005,365                                  |
| <b>Total current assets</b>      |       | <u>2,982,443</u>                           | <u>8,423,329</u>                           |
| <b>Non current assets</b>        |       |  |  |
| Other financial assets           | 16    | 53,200                                     | 53,200                                     |
| Property, plant & equipment      | 17    | 117,943                                    | 194,235                                    |
| <b>Total non current assets</b>  |       | <u>171,143</u>                             | <u>247,435</u>                             |
| <b>Total assets</b>              |       | <u>3,153,586</u>                           | <u>8,670,764</u>                           |
| <b>Current liabilities</b>       |       |  |  |
| Trade & other payables           | 19    | 1,158,000                                  | 1,807,475                                  |
| Provisions                       | 20    | 28,931                                     | 69,273                                     |
| Other current liabilities        | 21    | -  | 66,542                                     |
| <b>Total current liabilities</b> |       | <u>1,186,931</u>                           | <u>1,943,290</u>                           |
| <b>Total liabilities</b>         |       | <u>1,186,931</u>                           | <u>1,943,290</u>                           |
| <b>Net assets</b>                |       | <u>1,966,655</u>                           | <u>6,727,474</u>                           |
| <b>Equity</b>                    |       |  |  |
| Issued capital                   | 22    | 24,105,384                                 | 22,060,715                                 |
| Options reserve                  | 23    | 2,155,015                                  | 948,994                                    |
| Accumulated losses               |       | (23,325,060)                               | (16,238,367)                               |
| Parent interest                  |       | 2,935,339                                  | 6,771,342                                  |
| Non-controlling interest         |       | (968,684)                                  | (43,868)                                   |
| <b>Total equity</b>              |       | <u>1,966,655</u>                           | <u>6,727,474</u>                           |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

| <b>Consolidated Group</b>                   | <b>Notes</b> | <b>Issued Capital</b> | <b>Options Reserve</b> | <b>Accumulated losses</b> | <b>Subtotal</b>  | <b>NCI</b>      | <b>Total</b>     |
|---|--------------|-----------------------|------------------------|---------------------------|------------------|-----------------|------------------|
|   |              | <b>\$</b>             | <b>\$</b>              | <b>\$</b>                 | <b>\$</b>        | <b>\$</b>       | <b>\$</b>        |
| <b>Balance as at 1 January 2016</b>         |              | <b>1,722,332</b>      | <b>100,096</b>         | <b>(1,240,076)</b>        | <b>582,352</b>   | <b>-</b>        | <b>582,352</b>   |
| Loss for the financial period               |              | -                     | -                      | (14,998,291)              | (14,998,291)     | (43,909)        | (15,042,200)     |
| Reverse acquisition of Ardent Resources Ltd | 3            | 2,257,702             | -                      | -                         | 2,257,702        | -               | 2,257,702        |
| Issue of shares and options                 |              | 19,465,787            | 892,952                | -                         | 20,358,739       | 41              | 20,358,780       |
| Exercise of options                         |              | 407,570               | (44,054)               | -                         | 363,516          | -               | 363,516          |
| Costs of issuing shares                     |              | (1,792,676)           | -                      | -                         | (1,792,676)      | -               | (1,792,676)      |
| <b>Balance as at 31 December 2016</b>       |              | <b>22,060,715</b>     | <b>948,994</b>         | <b>(16,238,367)</b>       | <b>6,771,342</b> | <b>(43,868)</b> | <b>6,727,474</b> |

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

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

| <b>Consolidated Group</b>             | <b>Notes</b> | <b>Issued Capital</b> | <b>Options Reserve</b> | <b>Accumulated losses</b> | <b>Subtotal</b>  | <b>NCI</b>       | <b>Total</b>     |
|---------------------------------------|--------------|-----------------------|------------------------|---------------------------|------------------|------------------|------------------|
|                                       |              | <b>\$</b>             | <b>\$</b>              | <b>\$</b>                 | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
| <b>Balance as at 1 January 2017</b>   |              | <b>22,060,715</b>     | <b>948,994</b>         | <b>(16,238,367)</b>       | <b>6,771,342</b> | <b>(43,868)</b>  | <b>6,727,474</b> |
| Loss for the financial period         |              | -                     | -                      | (7,410,413)               | (7,410,413)      | (924,816)        | (8,335,229)      |
| Issue of shares and options           |              | 3,031,750             | 1,529,741              | -                         | 4,561,491        | -                | 4,561,491        |
| Cancellations of shares and options   |              | (963,081)             | (323,720)              | 323,720                   | (963,081)        | -                | (963,081)        |
| Costs of issuing shares               |              | (24,000)              | -                      | -                         | (24,000)         | -                | (24,000)         |
| <b>Balance as at 31 December 2017</b> |              | <b>24,105,384</b>     | <b>2,155,015</b>       | <b>(23,325,060)</b>       | <b>2,935,339</b> | <b>(968,684)</b> | <b>1,966,655</b> |

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

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | Notes | Consolidated<br>Year Ended<br>31 Dec 2017 | Consolidated<br>Year Ended<br>31 Dec 2016 |
|---|-------|---|---|
| <b>Cash flow from operating activities</b>                  |       |   |   |
| Receipts from customers                                     |       | 1,299,536                                 | 750,847                                   |
| Interest received   |       | 24,336                                    | 46,690                                    |
| R&D Tax Incentive received                                  |       | 961,100                                   | -   |
| Payments to suppliers & employees                           |       | <u>(11,113,617)</u>                       | <u>(9,559,430)</u>                        |
| <b>Net cash used in operating activities</b>                | 28    | <b>(8,828,645)</b>                        | <b>(8,761,893)</b>                        |
| <b>Cash flow from investing activities</b>                  |       |   |   |
| Proceeds from sale of property, plant & equipment           |       | 1,450                                     | -   |
| Purchases of property, plant & equipment                    |       | (5,682)                                   | (96,604)                                  |
| Purchase of financial assets                                |       | -   | (53,200)                                  |
| Payments for intangibles                                    |       | -   | (340,000)                                 |
| Proceeds from other assets                                  |       | <u>-</u>                                  | <u>3,939,012</u>                          |
| <b>Net cash provided by/(used in) investing activities</b>  |       | <b>(4,232)</b>                            | <b>3,449,208</b>                          |
| <b>Cash flow from financing activities</b>                  |       |   |   |
| Proceeds from the issue of shares and options               |       | 2,684,350                                 | 12,663,934                                |
| Proceeds from borrowing (refer to note 3)                   |       | -   | 2,072,000                                 |
| Payments for the cost of capital raising                    |       | (24,000)                                  | (1,439,824)                               |
| Payments for repurchase of issued capital (refer to note 5) |       | <u>-</u>                                  | <u>(957,965)</u>                          |
| <b>Net cash provided by financing activities</b>            |       | <b>2,660,350</b>                          | <b>12,338,145</b>                         |
| <b>Net increase in cash held</b>                            |       | <b>(6,172,527)</b>                        | <b>7,025,460</b>                          |
| Cash & cash equivalents at the beginning of the year        | 12    | <u>7,095,713</u>                          | <u>70,253</u>                             |
| <b>Cash &amp; cash equivalents at the end of the year</b>   | 12    | <b><u>923,186</u></b>                     | <b><u>7,095,713</u></b>                   |

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

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 1. Summary of Significant Accounting Policies**

**Basis of Preparation**

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

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Going Concern**

The Group experienced operating losses of \$8,335,229 and negative cash flows from operations of \$8,828,645 during the year ended 31 December 2017. In addition, the group had cash and cash equivalents of \$923,186, net current assets of \$1,795,512 and current liabilities of \$1,186,931.

Taking into account the circumstances outlined above, the directors have formed the opinion that the group can continue as a going concern based on the following activities:

- Achieving sales targets for the Rova and Air selfie
- Successfully bringing new product lines to the market
- Current rights issue being undertaken to raise up to \$2,311,615 (refer to note 30)
- Raising additional equity from new and existing shareholders
- Other debt financing agreements



**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Comparative Figures**

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

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

**Accounting Policies**

Due to the reverse acquisition, new accounting policies and methods have been used and are included below.

**Reverse Acquisition**

On 18 March 2016, the company, formerly named Ardent Resources Limited, completed the 100% acquisition of OK IOT Group Pty Ltd. As a result of this acquisition Ardent Resources Limited changed its name to IOT Group Limited. The acquisition of OK IOT Group Pty Ltd resulted in the shareholders of OK IOT Group Pty Ltd obtaining control of the merged entity. In addition, the board of directors of the merged entity was restructured and the OK IOT Group Pty Ltd management team has assumed responsibility for the management of the merged entity. Consequently, the acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 "Business Combinations".

The application of the reverse acquisition guidance contained in AASB 3 has resulted in IOT Group Limited (formerly Ardent Resources Ltd) (the legal parent) being accounted for as the subsidiary and OK IOT Group Pty Ltd (the legal subsidiary) being accounted for as the parent entity.

The acquisition has been accounted for using the principles set out in AASB 3 "Business Combinations" whereby OK IOT Group Pty Ltd is deemed to have issued shares in exchange for the net assets and listing status of IOT Group Limited. In accordance with AASB 3, the difference between the fair value of the deemed consideration paid by OK IOT Group Pty Ltd and the fair value of the identifiable net assets of IOT Group Limited, has been recognised as goodwill of \$1,587,745 as set out in Note 3.

Given OK IOT Group Pty Ltd is considered to be the parent of the group for accounting purposes, the comparative information represent a continuation of the financial statements of OK IOT Group Pty Ltd, with the exception of the capital structure. The results for the year ended 31 December 2016 comprise the results of OK IOT Group Pty Ltd for the full year and the results of IOT Group Limited subsequent to the completion of the acquisition.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The impact of the group restructure on each of the primary statements is as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

- The 2016 consolidated statements comprise 1 January 2016 to 31 December 2016 OK IOT Group Pty Ltd and 18 March 2016 to 31 December 2016 of IOT Group Limited (formerly Ardent Resources Limited).

Consolidated Statement of Financial Position

- The consolidated statement of financial position at 31 December 2016 comprises only IOT Group Limited (formerly Ardent Resources Limited).

Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows

- The consolidated statement of changes in equity for the period ended 31 December 2016 includes the changes in equity from 1 January 2016 to 31 December 2016 and the trading results as stated in the consolidated statement of profit or loss and other comprehensive income.
- The consolidated statement of cash flows for the period ended 31 December 2016 includes movements as stated in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

**Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 24.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

**Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. The consideration transferred; and
- ii. Any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii. The acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or a group of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**Intangibles other than Goodwill**

**Development Costs**

Expenditure during the research phase of a project is recognised as an expense when incurred.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

**Patents and Trademarks**

Patents and trademarks are recognised at cost. They have a finite life and are carried at cost less any accumulated amortisation and impairment losses.

**Impairment of Assets**

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

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

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

**Income Tax**

The income tax expense for the year only comprises of current income tax expense. The group does not account for deferred tax assets or deferred tax liabilities.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period.

For non financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

**Property, Plant and Equipment**

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

**Plant and Equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets, including capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset   | Depreciation Rate |
|------------------------|-------------------|
| Leasehold improvements | 2.5-5%            |
| Plant and equipment    | 10-33%            |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

#### **Non-current Assets Held for Sale and Discontinued Operations**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as “held for sale” occurs when: management has committed to a plan for immediate sale, the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity being a cash-generating unit (or a group of cash-generating units), that either has been disposed of, or is classified as held for sale and represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

#### **Financial Instruments**

##### **Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

##### **Classification and Subsequent Measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iv. Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

v. Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.



**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Investment in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profit and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

#### **Foreign Currency Transactions and Balances**

##### **Functional and Presentation Currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

##### **Transactions and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

##### **Group Companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

##### **Employee Benefits**

###### **Short-Term Employee Benefits**

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

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**Other Long-Term Employee Benefits**

At this stage there are no long term leave entitlements.

**Equity-Settled Compensation**

The Company provides compensation benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by a Black Scholes model.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**Provisions**

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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and bank overdrafts.

**Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

**Subscription Income**

Revenue from subscriptions is recognised on a cash basis.

**Interest Revenue**

Interest revenue is recognised using the effective interest rate method.

**Trade and Other Receivables**

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

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Trade and Other Payables**

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

**Goods and Services Tax (GST)**

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

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

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

**Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**Critical Accounting Estimates and Judgments**

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

**Key Estimates**

*Impairment*

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers.

**Key Judgements**

*Share-based payment transactions*

The Group measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of the equity instruments at grant date. The fair value is determined using the Black Scholes Model simulation. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the annual reporting period but may impact expenses and equity.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have an impact on the Group's financial instruments.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018)

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

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

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

The transactional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors*; or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The assessment of the financial impact on account of the above changes in accounting policies by the directors is still in progress and as such not known at this stage.

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the New Standard are as follows:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- Application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognize the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors have determined that the adoption of AASB 16 will have an immaterial impact on the Group's financial statements.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3: *Business Combinations* to an associate or joint venture, and requires that:

- A gain or loss (including any amounts in other comprehensive income) be recognised only to the extent of the unrelated investor’s interest in that associate or joint venture;
- The remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- Any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor’s interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor’s interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint venture occurring on or after 1 January 2018. The directors are not aware of any transactions expected to occur in 2018 and as such it is impracticable to provide a reasonable estimate of the impact at this stage.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**31 Dec 2017**                      **31 Dec 2016**  
**\$**    **\$**

**NOTE 2. Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

**Statement of Financial Position**

**ASSETS**

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Current assets      | 907,610           | 18,292,768        |
| Non-current assets  | 26,428,663        | -                 |
| <b>TOTAL ASSETS</b> | <b>27,336,273</b> | <b>18,292,768</b> |

**LIABILITIES**

|                          |                |                |
|--------------------------|----------------|----------------|
| Current liabilities      | 208,279        | 537,456        |
| Non-current liabilities  | -              | -              |
| <b>TOTAL LIABILITIES</b> | <b>208,279</b> | <b>537,456</b> |

**EQUITY**

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Issued capital      | 34,660,995        | 25,321,887        |
| Option reserve      | 2,669,613         | 1,533,443         |
| Retained earnings   | (10,202,614)      | (9,100,018)       |
| <b>TOTAL EQUITY</b> | <b>27,127,994</b> | <b>17,755,312</b> |

**Statement of profit or loss and other comprehensive income**

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Total profit                      | (1,102,596)        | (2,517,101)        |
| <b>Total comprehensive income</b> | <b>(1,102,596)</b> | <b>(2,518,909)</b> |

For personal use only



**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 3. Business Acquisition Cost**

On 18 March 2016, the company, formerly named Ardent Resources Limited, completed the 100% acquisition of OK IOT Group Pty Ltd and changed its name to IOT Group Limited. The acquisition of OK IOT Group Pty Ltd resulted in the shareholders of OK IOT Group Pty Ltd obtaining control of the merged entity.

Nominees of OK IOT Group Pty Ltd serve as executive directors and the OK IOT Group Pty Ltd management team has assumed responsibility for the management of the merged entity. Consequently, the acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 "Business Combinations".

The application of the reverse acquisition guidance contained in AASB 3 has resulted in the Company (the legal parent) being accounted for as the subsidiary and OK IOT Group Pty Ltd being accounted for as the parent entity.

The acquisition has been accounted for using the principles set out in AASB 3 "Business Combinations" whereby OK IOT Group Pty Ltd is deemed to have issued shares in exchange for the net assets and listing status of IOT Group Limited. In accordance with AASB 3, the difference between the fair value of the deemed consideration paid by OK IOT Group Pty Ltd and the fair value of the identifiable net assets of IOT Group Limited, has been recognised as goodwill of \$1,587,745 as set out below.

Details of the fair value of the identifiable net assets acquired and the excess consideration are set out below:

|  |                  |
|--|------------------|
| Deemed purchase consideration:                       |                  |
| Fair value of shares transferred                     | 2,257,702        |
| Less: fair value of net identifiable assets acquired | (669,957)        |
| <b>Goodwill</b>                                      | <b>1,587,745</b> |

The fair value of the identifiable assets and liabilities of the Company at the date of acquisition was as follows:

|  |                |
|--|----------------|
| <b>Assets</b>                                      |                |
| Cash and cash equivalents                          | 3,939,012      |
| Trade and other receivables                        | 39,561         |
| Property, plant and equipment                      | 334            |
| Inventory  | -              |
| Other financial assets                             | 2,322,000      |
| Other assets                                       | 6,013          |
| <b>Liabilities</b>                                 |                |
| Trade and other payables                           | 147,407        |
| Investor funds refundable                          | 5,489,556      |
| <b>Total identifiable net assets as fair value</b> | <b>669,957</b> |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 3. Business Acquisition Cost (cont.)**

Other financial assets relate to funds that were loaned to OK IOT Group Pty Ltd prior to the 18<sup>th</sup> of March 2016. Subsequent to the business combination occurring, this loan is now eliminated in the preparation of the consolidated financial reports.

The net cash inflow arising as a result of the reverse acquisition was \$3,939,012 being the cash on hand held by IOT Group at the time of acquisition.

| <b>Consolidated</b> | <b>Consolidated</b> |
|---------------------|---------------------|
| <b>2017</b>         | <b>2016</b>         |
| <b>\$</b>           | <b>\$</b>           |

**NOTE 4. Other Income**

Other Income:

|                   |         |         |
|-------------------|---------|---------|
| Interest received | 24,336  | 86,179  |
| R&D refund        | 960,151 | 165,227 |
| Other income      | 5,479   | 9,382   |
|                   | 989,966 | 260,788 |

**NOTE 5. Legal Settlement**

On 10 November 2016, IOT Group Limited announced that it had entered into confidential settlement documentation with Mr Kantor and his former business co-shareholders in Roam Systems Pty Limited.

The components of the legal settlement comprise of:

|  |   |           |
|--|---|-----------|
| Cash payments – Simon Kantor                       | - | 454,000   |
| Cash payments – other related parties              | - | 227,000   |
| Non-cash payments – securities issued <sup>1</sup> | - | 700,000   |
| Total legal settlement                             | - | 1,381,000 |

<sup>1</sup>The Company issued 20 Million ordinary shares as part of the legal settlement;

The Company bought back and cancelled 27,516,610 ordinary shares. The market value of these shares on 10 November 2016 was 963,081. The cost of the acquisition of shares intended to be bought back comprises of nil consideration plus incidental costs of \$957,965. The total amount of \$957,965 paid during the 2016 period has been treated as an other current asset (refer note 15). This has been debited to issued capital upon cancellation of the shares.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 6. Tax Income and Expense**

Prima Facie income tax credit on loss from ordinary activities at 27.5% is (\$2,292,188), 2016: 28.5% (\$4,287,027), has not been brought to account.

**NOTE 7: Assets held for Sale and Discontinued Operations**

**a. Discontinued Operations**

During the period, directors made the decision to discontinue its operations in The Supply Centre Pty Ltd, Intervision Direct Pty Limited and OTT Premium Pty Ltd.

Financial information relating to the discontinued operation is set out below.

The financial performance of the discontinued operation for the period, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

|   | <b>Consolidated<br/>2017<br/>\$</b> | <b>Consolidated<br/>2016<br/>\$</b> |
|---|-------------------------------------|-------------------------------------|
| Revenue   | -                                   | 349,630                             |
| Expenses  | -                                   | (1,770,033)                         |
| Profit before Income Tax  | -                                   | (1,420,403)                         |
| Income Tax Expense  | -                                   | -                                   |
| Profit Attributable to Members of the Parent Entity                             | -                                   | (1,420,403)                         |
| <b>Total Profit/(Loss) after Tax Attributable to the Discontinued Operation</b> | <b>-</b>                            | <b>(1,420,403)</b>                  |

The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:

|  |          |                 |
|--|----------|-----------------|
| Net cash inflow/(outflow) from operating activities                | -        | (33,426)        |
| Net cash inflow from investing activities                          | -        | -               |
| Net cash (outflow)/ inflow from financing activities               | -        | -               |
| <b>Net increase in cash generated by the discontinued division</b> | <b>-</b> | <b>(33,426)</b> |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 8. Key Management Personnel Compensation**

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 31 December 2017.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

|                              | <b>Consolidated<br/>2017</b> | <b>Consolidated<br/>2016</b> |
|------------------------------|------------------------------|------------------------------|
|                              | <b>\$</b>                    | <b>\$</b>                    |
| Short-term employee benefits | 1,033,916                    | 1,571,079                    |
| Other long-term benefits     | 47,273                       | 43,778                       |
| Share-based payments         | 481,936                      | 493,980                      |
| Total KMP compensation       | <u>1,563,125</u>             | <u>2,108,837</u>             |

**Short-term employee benefits**

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

**Other long-term benefits**

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

**Share-based payments**

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

**NOTE 9. Auditors Remuneration**

|  | <b>Consolidated<br/>2017</b> | <b>Consolidated<br/>2016</b> |
|--|------------------------------|------------------------------|
|  | <b>\$</b>                    | <b>\$</b>                    |
| Remuneration of the auditor for:             |                              |                              |
| - Auditing or reviewing the financial report | 41,191                       | 18,680                       |
| - Non-audit services                         | -                            | 34,680                       |
|  | <u>41,191</u>                | <u>53,360</u>                |

**NOTE 10. Dividends**

No dividends were paid during the period.

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 11. Earnings per Share**

|  | <b>No. of Shares<br/>As at<br/>31 Dec 2017</b> | <b>No. of Shares<br/>As at<br/>31 Dec 2016</b> |
|--|--|--|
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share. | 752,009,745                                    | 565,064,786                                    |
|  | <b>Consolidated<br/>As at<br/>31 Dec 2017</b>  | <b>Consolidated<br/>As at<br/>31 Dec 2016</b>  |
|  | <b>\$</b>                                      | <b>\$</b>                                      |
| Net profit/(loss) after income tax attributable to shareholders                                      | (8,335,229)                                    | (15,042,200)                                   |
|  | <b>Cents</b>                                   | <b>Cents</b>                                   |
| Basic loss per share   | (1.11)   | (2.66)   |
| Diluted loss per share   | (1.11)   | (2.66)   |
|  | <b>Consolidated<br/>2017</b>                   | <b>Consolidated<br/>2016</b>                   |
|  | <b>\$</b>                                      | <b>\$</b>                                      |

**NOTE 12. Cash and Cash Equivalents**

**Current**

|                          |                |                  |
|--------------------------|----------------|------------------|
| Cash at bank and on hand | 923,186        | 7,095,713        |
|                          | <u>923,186</u> | <u>7,095,713</u> |

**Reconciliation of Cash**

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

|                           |                |                  |
|---------------------------|----------------|------------------|
| Cash and cash equivalents | 923,186        | 7,095,713        |
|                           | <u>923,186</u> | <u>7,095,713</u> |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | <b>Consolidated<br/>2017<br/>\$</b> | <b>Consolidated<br/>2016<br/>\$</b> |
|---|-------------------------------------|-------------------------------------|
| <b>NOTE 13. Trade and Other Receivables</b> |                                     |                                     |
| Current                                     |                                     |                                     |
| Trade receivables                           | 669,077                             | -                                   |
| GST receivable                              | 51,989                              | 156,499                             |
| R&D tax incentive receivable                | -                                   | 165,227                             |
| Other receivables                           | -                                   | 525                                 |
| Provision for doubtful debts                | (210,471)                           | -                                   |
| Total current trade and other receivables   | 510,595                             | 322,251                             |

**Credit Risk**

The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 13. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

The following table details the Group’s trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms are considered to be of high credit quality.

|                   | Gross<br>Amount | Past due<br>and<br>impaired | Past due but not impaired (Days Overdue) |       |       |        | Within<br>initial<br>trade<br>terms |
|-------------------|-----------------|-----------------------------|--|-------|-------|--------|-------------------------------------|
|                   |                 |                             | <30                                      | 31-60 | 61-90 | >90    |                                     |
| <b>2017</b>       |                 |                             |  |       |       |        |                                     |
| Trade receivables | 458,606         | 84,526                      | 374,080                                  | -     | -     | 84,526 | 374,080                             |
| Other receivables | 51,989          | -                           | 51,989                                   | -     | -     | -      | 51,989                              |
| Total             | 510,595         | 84,526                      | 426,069                                  | -     | -     | 84,526 | 426,069                             |
| <b>2016</b>       |                 |                             |  |       |       |        |                                     |
| Trade receivables | -               | -                           | -  | -     | -     | -      | -                                   |
| Other receivables | 322,251         | -                           | 322,251                                  | -     | -     | -      | 322,251                             |
| Total             | 322,251         | -                           | 322,251                                  | -     | -     | -      | 322,251                             |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | Consolidated<br>2017<br>\$ | Consolidated<br>2016<br>\$ |
|---|----------------------------|----------------------------|
| <b>NOTE 14. Inventories</b>                   |                            |                            |
| Current                                       |                            |                            |
| Finished goods at cost                        | 382,443                    | -                          |
|   | <u>382,443</u>             | <u>-</u>                   |
| <b>NOTE 15. Other Assets</b>                  |                            |                            |
| Current                                       |                            |                            |
| Prepayments                                   | 1,162,284                  | 45,069                     |
| Deposits and bonds                            | 3,935                      | 2,332                      |
| Legal Settlement (Refer note 5)               | -                          | 957,964                    |
|   | <u>1,166,219</u>           | <u>1,005,365</u>           |
| <b>NOTE 16. Other Financial Assets</b>        |                            |                            |
| Bank guarantee                                | 53,200                     | 53,200                     |
|   | <u>53,200</u>              | <u>53,200</u>              |
| <b>NOTE 17. Property, Plant and Equipment</b> |                            |                            |
| Property, plant and equipment:                |                            |                            |
| At cost                                       | 237,774                    | 224,237                    |
| Accumulated depreciation                      | (163,043)                  | (92,327)                   |
|   | <u>74,731</u>              | <u>131,910</u>             |
| Leasehold improvements:                       |                            |                            |
| At cost                                       | 67,006                     | 64,106                     |
| Accumulated depreciation                      | (23,794)                   | (1,781)                    |
|   | <u>43,212</u>              | <u>62,325</u>              |
| Total property, plant and equipment           | <u>117,943</u>             | <u>194,235</u>             |
| <b>NOTE 18. Intangible assets</b>             |                            |                            |
| <b>Amortisation expenses</b>                  |                            |                            |
| Amortisation from continuing operations       | -                          | 99,358                     |
| Amortisation from discontinued operations     | -                          | 434,843                    |
| Total amortisation expense                    | <u>-</u>                   | <u>534,201</u>             |

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | <b>Consolidated<br/>2017<br/>\$</b> | <b>Consolidated<br/>2016<br/>\$</b> |
|---|-------------------------------------|-------------------------------------|
| <b>NOTE 18. Intangible assets (Continued)</b> |                                     |                                     |
| <b>Impairment expenses</b>                    |                                     |                                     |
| Impairment from continuing operations         | -                                   | 4,324,200                           |
| Impairment from discontinued operations       | -                                   | -                                   |
| Total impairment expense                      | -                                   | 4,324,200                           |

Movements for goodwill, intellectual property and development costs for the period ended 31 December 2017:

|                              |   |             |
|------------------------------|---|-------------|
| <b>Goodwill</b>              |   |             |
| Opening balance              | - | 767,491     |
| Movements during the year    | - | 1,588,110   |
| Amortisation during the year | - | (132,308)   |
| Impairment during the year   | - | (2,223,293) |
| Closing balance              | - | -           |

Goodwill is amortised on a straight line basis over the period from the date of acquisition to the end of the period of time during which the benefits are expected to arise. In addition, the directors test goodwill for impairment annually.

|                              |   |           |
|------------------------------|---|-----------|
| <b>Intellectual property</b> |   |           |
| Opening balance              | - | 589,331   |
| Movements during the year    | - | -         |
| Amortisation during the year | - | (82,981)  |
| Impairment during the year   | - | (506,350) |
| Closing balance              | - | -         |

Intellectual property is amortised on a straight line basis over the useful life as determined by the directors. In addition, the directors review for impairment indicators annually.

|                              |   |             |
|------------------------------|---|-------------|
| <b>Development Costs</b>     |   |             |
| Opening balance              | - | 334,778     |
| Movements during the year    | - | 1,578,691   |
| Amortisation during the year | - | (318,912)   |
| Impairment during the year   | - | (1,594,557) |
| Closing balance              | - | -           |

Development costs capitalised during the period relate to the development of the Roam-e in its Sydney based development lab as well at the production facility in China. The development costs for the period are expected to provide future economic benefits to the group. Therefore, costs were capitalised.

|                   |   |   |
|-------------------|---|---|
| Total intangibles | - | - |
|-------------------|---|---|



**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | <b>Consolidated</b> | <b>Consolidated</b> |
|---|---------------------|---------------------|
|   | <b>2017</b>         | <b>2016</b>         |
|   | <b>\$</b>           | <b>\$</b>           |
| <b>NOTE 19. Trade and Other Payables</b>          |                     |                     |
| Current   |                     |                     |
| Trade payables                                    | 640,094             | 839,136             |
| Sundry payables                                   | 195,023             | 774                 |
| PAYG withholding payable                          | 22,584              | 94,853              |
| Superannuation payable                            | 13,142              | 33,701              |
| Accruals  | 275,543             | 837,130             |
| GST collected                                     | 11,614              | 1,881               |
| Financial liabilities as trade and other payables | 1,158,000           | 1,807,475           |

**NOTE 20. Provisions**

**Employee benefits**

|                            |          |        |
|----------------------------|----------|--------|
| Opening balance            | 69,273   | 32,340 |
| Movement during the period | (40,342) | 36,933 |
| Closing balance            | 28,931   | 69,273 |

**Warranties**

|                            |   |         |
|----------------------------|---|---------|
| Opening balance            | - | 7,508   |
| Movement during the period | - | (7,508) |
| Closing balance            | - | -       |

Total provisions

|  |        |        |
|--|--------|--------|
|  | 28,931 | 69,273 |
|--|--------|--------|

**Provision for Employee Benefits**

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

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

**NOTE 21. Other Current Liabilities**

|                      |   |        |
|----------------------|---|--------|
| Prepayments received | - | 66,542 |
|                      | - | 66,542 |

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|  | Consolidated<br>2017<br>\$ | Consolidated<br>2016<br>\$ |
|--|----------------------------|----------------------------|
| <b>NOTE 22. Issued Capital</b>         |                            |                            |
| Opening balance                        | 22,060,715                 | 1,722,332                  |
| Business combination cost              | -                          | 2,257,702                  |
| Placement – 18 March 2016              | -                          | 5,030,000                  |
| Public offer – 18 March 2016           | -                          | 489,558                    |
| Placement – 18 March 2016              | -                          | 590,000                    |
| Share based payment – 19 April 2016    | -                          | 85,000                     |
| Share based payment – 3 May 2016       | -                          | 180,000                    |
| Exercise of options – 12 May 2016      | -                          | 387,116                    |
| Share based payment – 17 May 2016      | -                          | 220,000                    |
| Exercise of options – 24 May 2016      | -                          | 17,279                     |
| Share based payment – 20 June 2016     | -                          | 196,000                    |
| Issue of shares – 14 July 2016         | -                          | 11,975,229                 |
| Exercise of options – 14 July 2016     | -                          | 3,175                      |
| Legal Settlement – 23 November 2016    | -                          | 700,000                    |
| Cancellation of Shares – 21 April 2017 | (963,081)                  | -                          |
| Issue of shares – 26 June 2017         | 869,000                    | -                          |
| Issue of shares – 14 September 2017    | 180,000                    | -                          |
| Share based payment – 4 October 2017   | 55,000                     | -                          |
| Share placement – 23 October 2017      | 582,000                    | -                          |
| Share based payment – 10 November 2017 | 60,000                     | -                          |
| Issue of shares – 11 December 2017     | 100,000                    | -                          |
| Issue of shares – 15 December 2017     | 210,000                    | -                          |
| Share based payment – 18 December 2017 | 102,000                    | -                          |
| Share based payment – 19 December 2017 | 176,750                    | -                          |
| Issue of shares – 19 December 2017     | 150,000                    | -                          |
| Issue of shares – 20 December 2017     | 140,000                    | -                          |
| Share based payment – 21 December 2017 | 57,000                     | -                          |
| Issue of shares – 21 December 2017     | 150,000                    | -                          |
| Issue of shares – 29 December 2017     | 200,000                    | -                          |
| Capital raising costs                  | (24,000)                   | (1,792,676)                |
| Closing balance                        | <u>24,105,384</u>          | <u>22,060,715</u>          |

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | <b>Consolidated<br/>2017<br/>#</b> | <b>Consolidated<br/>2016<br/>#</b> |
|---|------------------------------------|------------------------------------|
| <b>NOTE 22. Issued Capital (cont.)</b>                  |                                    |                                    |
| <b>Ordinary Shares</b>                                  |                                    |                                    |
| Opening balance   | 742,669,905                        | 257,900,964                        |
| Ardent Shares (161,264,438 shares consolidated at 2:1)* | -                                  | 80,632,273                         |
| Placement – 18 March 2016                               | -                                  | 157,187,500                        |
| Public Offer – 18 March 2016                            | -                                  | 15,298,638                         |
| Placement – 18 March 2016                               | -                                  | 21,071,429                         |
| Share based payment – 19 April 2016                     | -                                  | 4,250,000                          |
| Share based payment – 3 May 2016                        | -                                  | 4,000,000                          |
| Exercise of options – 12 May 2016                       | -                                  | 6,757,231                          |
| Share based payment – 17 May 2016                       | -                                  | 2,000,000                          |
| Exercise of options – 24 May 2016                       | -                                  | 420,000                            |
| Share based payment – 20 June 2016                      | -                                  | 2,000,000                          |
| Issue of shares – 14 July 2016                          | -                                  | 171,074,680                        |
| Exercise of options – 14 July 2016                      | -                                  | 77,190                             |
| Legal settlement – 23 November 2016                     | -                                  | 20,000,000                         |
| Cancellation of Shares – 21 April 2017                  | (27,715,609)                       | -                                  |
| Issue of shares – 26 June 2017                          | 72,416,666                         | -                                  |
| Issue of shares – 14 September 2017                     | 19,569,472                         | -                                  |
| Share based payment – 4 October 2017                    | 5,500,000                          | -                                  |
| Share placement – 23 October 2017                       | 58,200,000                         | -                                  |
| Share based payment – 10 November 2017                  | 6,000,000                          | -                                  |
| Issue of shares – 11 December 2017                      | 10,000,000                         | -                                  |
| Issue of shares – 15 December 2017                      | 23,333,333                         | -                                  |
| Issue of shares – 18 December 2017                      | 8,409,597                          | -                                  |
| Share based payment – 19 December 2017                  | 15,037,885                         | -                                  |
| Issue of shares – 19 December 2017                      | 27,000,000                         | -                                  |
| Issue of shares – 20 December 2017                      | 15,555,556                         | -                                  |
| Share based payment – 21 December 2017                  | 5,700,000                          | -                                  |
| Issue of shares – 21 December 2017                      | 17,647,059                         | -                                  |
| Issue of shares – 29 December 2017                      | 23,529,412                         | -                                  |
| At the end of the reporting period                      | <u>1,022,853,276</u>               | <u>742,669,905</u>                 |

\* Rounding variance of 22 shares.

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|  | <b>Consolidated</b> | <b>Consolidated</b> |
|--|---------------------|---------------------|
|  | <b>2017</b>         | <b>2016</b>         |
|  | <b>\$</b>           | <b>\$</b>           |

**NOTE 23. Reserves**

**Options Reserve**

The option reserve records items recognised as expenses on valuation of employee share valuation.

**Options Reserve**

|   |           |          |
|---|-----------|----------|
| Opening balance at 1 January                | 948,994   | 100,096  |
| Options issued during the year              | 1,529,741 | 892,952  |
| Options exercised/forfeited during the year | (323,720) | (44,054) |
| Balance at 31 December                      | 2,155,015 | 948,994  |

**NOTE 24. Interests in Subsidiaries**

The consolidated financial statements include the financial statements of IOT Group Limited and its controlled entity.

| <b>Company</b>               | <b>Place of incorporation</b> | <b>Principal activities</b> |
|------------------------------|-------------------------------|-----------------------------|
| OK IOT Group Pty Ltd         | Australia                     | Internet of Things (IOT)    |
| The Supply Centre Pty Ltd    | Australia                     | Discontinued                |
| IOT Group Technology Pty Ltd | Australia                     | Internet of Things (IOT)    |
| IOT Group USA LLC            | USA                           | Internet of Things (IOT)    |
| OTT Premium Pty Ltd          | Australia                     | Discontinued                |
| Intervision Direct Pty Ltd   | Australia                     | Discontinued                |

| <b>Company</b>               | <b>Ownership Interest held by the Group</b> |
|------------------------------|---|
| OK IOT Group Pty Ltd         | 100%  |
| The Supply Centre Pty Ltd    | 100%  |
| IOT Group Technology Pty Ltd | 100%  |
| IOT Group USA LLC            | 70%   |
| OTT Premium Pty Ltd          | 100%  |
| Intervision Direct Pty Ltd   | 100%  |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | <b>Consolidated<br/>2017<br/>\$</b> | <b>Consolidated<br/>2016<br/>\$</b> |
|---|-------------------------------------|-------------------------------------|
| <b>NOTE 25. Capital and Leasing Commitments</b>                                 |                                     |                                     |
| Operating lease commitments   |                                     |                                     |
| Operating leases contracted for but not recognised in the financial statements. |                                     |                                     |
| Payable – minimum lease payments  |                                     |                                     |
| - Not later than 12 months  | 200,160                             | 163,778                             |
| - Between 12 months and 5 years   | 191,278                             | 333,330                             |
| - Later than 5 years  | -                                   | -                                   |
|   | 391,438                             | 497,108                             |

The property lease is a three year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that minimum lease payments shall be increased by 4.25% per annum. An option exists to renew the lease at the end of the three year term for an additional term of three years. The lease allows for subletting of all lease areas.

**NOTE 26. Contingent Liabilities and Contingent Assets**

There are no contingent liabilities as at 31 December 2017.

**NOTE 27. Operating Segments**

There was only one operating segment during the period which was Internet of Things.

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | <b>Consolidated<br/>2017<br/>\$</b> | <b>Consolidated<br/>2016<br/>\$</b> |
|---|-------------------------------------|-------------------------------------|
| <b>NOTE 28. Cash Flow Information</b>   |                                     |                                     |
| Reconciliation of cash flows from operating activities with profit after income tax             | (8,335,229)                         | (15,042,200)                        |
| Profit after income tax   |                                     |                                     |
| Non-cash flows in profit:   |                                     |                                     |
| - Depreciation  | 89,986                              | 71,412                              |
| - Amortisation  | -                                   | 99,358                              |
| - Impairment  | -                                   | 4,324,200                           |
| - Employee benefits   | 450,750                             | -                                   |
| - Share based payments  | 393,571                             | 1,200,500                           |
| - Foreign exchange  | 60,277                              | -                                   |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: |                                     |                                     |
| - (Increase)/decrease in accounts receivable  | (188,344)                           | (256,265)                           |
| - (Increase)/decrease in inventory  | (382,443)                           | 12,786                              |
| - (Increase)/decrease in other assets   | (160,854)                           | (7,568)                             |
| - Increase/(decrease) in payables   | (649,475)                           | 1,034,917                           |
| - Increase/(decrease) in provisions   | (40,342)                            | 29,425                              |
| - Increase/(decrease) in other liabilities  | (66,542)                            | (228,458)                           |
| Cash flows from operating activities  | <u>(8,828,645)</u>                  | <u>(8,761,893)</u>                  |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Consolidated**  
**2017**  
**\$**

**NOTE 29. Share based payments**

|   |         |
|---|---------|
| Share based payments for consulting, broking and invoice financing services | 393,571 |
| Share based payments to employees   | 511,027 |
|   | 904,598 |

Options granted to key management personnel are as follows:

| <b>Grant Date</b> | <b>Number</b> |
|-------------------|---------------|
| 19/10/2017        | 40,000,000    |
| 18/12/2017        | 10,000,000    |

Further details of these options are provided in the director's report. The options hold no voting or dividend rights but have been listed.

A summary of all options is as follows:

|  | <b>Number</b> | <b>Weighted<br/>Average Exercise<br/>Price</b> |
|--|---------------|--|
| Options outstanding as at 1 January 2017   | 126,405,920   | 0.11   |
| Granted                                    | 187,900,000   | 0.06   |
| Forfeited                                  | -             | -  |
| Exercised                                  | -             | -  |
| Expired                                    | 59,836,810    | 0.11   |
| Options outstanding as at 31 December 2017 | 254,469,110   | 0.07   |
| Options exercisable at 31 December 2017    | 254,469,110   |  |

The weighted average remaining contractual life of options outstanding at year end was 5.20 years.

The fair value of the options granted to employees is considered to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$0.01 (2016: \$0.01). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

|                                      |            |
|--------------------------------------|------------|
| Weighted average exercise price:     | \$0.07     |
| Weighted average life of the option: | 5.58 years |
| Expected share price volatility:     | 68.35%     |
| Risk-free-interest rate:             | 2.64%      |

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 30. Events after the reporting period**

On the 9<sup>th</sup> of January 2018, IOT Group Limited issued 1,031,250 fully paid ordinary class shares at \$0.008 per share to Max Markson in consideration for Air Selfie Public Relations services.

On the 19<sup>th</sup> of January 2018, IOT Group Limited lodged a prospectus for a pro rata non-renounceable entitlement offer in order to raise approximately \$2,311,615 (before costs):

- One new share for every four existing shares held by existing eligible shareholders on 25 January 2018 at \$0.009 per share, together with one free attaching option exercisable at \$0.011 for every share subscribed for and issued.

Subsequently on the 6<sup>th</sup> of February 2018, IOT Group Limited resolved to extend the closing date of the non-renounceable entitlement issue to 5pm (AEDT) on 23 February 2018.

Further to this, on the 9<sup>th</sup> of February 2018, IOT Group Limited submitted a supplementary prospectus intending to be read with the prospectus dated 19 January 2018.

On 1<sup>st</sup> February 2018, IOT Group Limited issued 2,777,778 fully paid ordinary shares at a deemed issue price of \$0.009 per share to Sirius Capital Pty Ltd for services.

On 7<sup>th</sup> February 2018, IOT Group Limited signed a binding term sheet with RUNA Pty Ltd. IOT will have a 25% interest in Runa.

On 21<sup>st</sup> February 2018, IOT Group Limited issued 7,906,250 fully paid ordinary shares at a deemed issue price of \$0.008 per share.



**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 31. Related party transactions**

The group's main related parties are as follows

i) *Key Management Personnel*

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

ii) *Other related parties*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

**Transactions with related parties**

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

The following transactions occurred with related parties:

i) *Key Management Personnel*

There were no other related party transactions to key management personnel other than those stated in the remuneration report on page 12.

ii) *Other related parties*

There were no related party transactions with any other related parties during the year.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 32. Financial Risk Management**

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

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

|                                    |             | <b>Consolidated<br/>2017<br/>\$</b> | <b>Consolidated<br/>2016<br/>\$</b> |
|------------------------------------|-------------|-------------------------------------|-------------------------------------|
|                                    | <b>Note</b> |                                     |                                     |
| <b>Financial assets</b>            |             |                                     |                                     |
| Cash and cash equivalents          | 12          | 923,186                             | 7,095,713                           |
| Trade and other receivables        | 13          | 510,595                             | 322,251                             |
| Other financial asset              | 16          | 53,200                              | 53,200                              |
| <b>Total financial assets</b>      |             | 1,486,981                           | 7,471,164                           |
| <b>Financial liabilities</b>       |             |                                     |                                     |
| Trade and other payables           | 19          | 1,158,000                           | 1,807,475                           |
| <b>Total financial liabilities</b> |             | 1,158,000                           | 1,807,475                           |

**Financial Risk Management Policies**

The Finance and Operations Committee (FOC) has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The FOC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, foreign currency risk, liquidity risk and interest rate risk. The FOC meets on a bi-monthly basis and minutes of the FOC are reviewed by the Board.

The FOC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**Specific financial risk exposures and management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 32. Financial Risk Management (cont.)**

**Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 90 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the FOC has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at board level, given to parties securing the liabilities of certain subsidiaries (refer to Note 24 for details).

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 13.

Credit risk related to balances with banks and other financial institutions is managed by the FOC in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

|                               | <b>Consolidated<br/>2017<br/>\$</b> | <b>Consolidated<br/>2016<br/>\$</b> |
|-------------------------------|-------------------------------------|-------------------------------------|
| a. Cash and cash equivalents: |                                     |                                     |
| - AA rated                    | 923,186                             | 7,095,713                           |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 32. Financial Risk Management (cont.)**

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

| Consolidated Group                                   | Within 1 Year  |                  | Over 1 year |            | Total          |                  |
|--|----------------|------------------|-------------|------------|----------------|------------------|
|  | 2017<br>\$     | 2016<br>\$       | 2017<br>\$  | 2016<br>\$ | 2017<br>\$     | 2016<br>\$       |
| <b>Financial Liabilities due for Payment</b>         |                |                  |             |            |                |                  |
| Trade and other payables                             | (1,158,000)    | (1,807,475)      | -           | -          | (1,158,000)    | (1,807,475)      |
| Total expected outflows                              | (1,158,000)    | (1,807,475)      | -           | -          | (1,158,000)    | (1,807,475)      |
| <b>Financial Assets – Cash Flows Realisable</b>      |                |                  |             |            |                |                  |
| Cash and cash equivalents                            | 923,186        | 7,095,713        | -           | -          | 923,186        | 7,095,713        |
| Trade and other receivables                          | 510,595        | 322,251          | -           | -          | 510,595        | 322,251          |
| Other financial assets                               | 53,200         | 53,200           | -           | -          | 53,200         | 53,200           |
| Total anticipated inflows                            | 1,486,981      | 7,471,164        | -           | -          | 1,486,981      | 7,471,164        |
| <b>Net (outflow)/inflow on financial instruments</b> | <b>328,981</b> | <b>5,663,689</b> | <b>-</b>    | <b>-</b>   | <b>328,981</b> | <b>5,663,689</b> |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 32. Financial Risk Management (cont.)**

c. Market risk

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

(ii) *Foreign currency risk*

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

*Sensitivity analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

|                             | <b>Consolidated Group</b> |             |
|-----------------------------|---------------------------|-------------|
|                             | <b>2017</b>               | <b>2016</b> |
| Year Ended 31 December 2017 |                           |             |
| +/- 1% in interest rates    |                           |             |
| - Profit                    | +/- 9,232                 | +/- 70,957  |
| - Equity                    | +/- 9,232                 | +/- 70,957  |

These sensitivities assume that the movement in a particular variable is independent of other variables.

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 32. Financial Risk Management (cont.)**

**Fair Values**

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer to Note 33 for detailed disclosures regarding the fair value measurement of the Group's financial assets and financial liabilities.

|                                    | As at 31 December 2017 |                  | As at 31 December 2016 |                  |
|------------------------------------|------------------------|------------------|------------------------|------------------|
|                                    | Carrying amount        | Fair value       | Carrying amount        | Fair value       |
|                                    | \$                     | \$               | \$                     | \$               |
| <b>Financial assets</b>            |                        |                  |                        |                  |
| Cash & cash equivalents            | 923,186                | 923,186          | 7,095,713              | 7,095,713        |
| Trade & other receivables          | 510,595                | 510,595          | 322,251                | 322,251          |
| Other financial asset              | 53,200                 | 53,200           | 53,200                 | 53,200           |
| <b>Total financial assets</b>      | <b>1,486,981</b>       | <b>1,486,981</b> | <b>7,471,164</b>       | <b>7,471,164</b> |
| <b>Financial liabilities</b>       |                        |                  |                        |                  |
| Trade & other payables             | 1,158,000              | 1,158,000        | 1,807,475              | 1,807,475        |
| <b>Total financial liabilities</b> | <b>1,158,000</b>       | <b>1,158,000</b> | <b>1,807,475</b>       | <b>1,807,475</b> |

**NOTE 33. Fair Value Measurements**

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

**Fair Value Hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| Level 1  | Level 2  | Level 3   |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 33. Fair Value Measurements (cont.)**

**Valuation techniques**

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly observable).

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 33. Fair Value Measurements (cont.)**

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities:

|                              | Level | As at 31 December 2017 |            | As at 31 December 2016 |            |
|------------------------------|-------|------------------------|------------|------------------------|------------|
|                              |       | Carrying amount        | Fair value | Carrying amount        | Fair value |
|                              |       | \$                     | \$         | \$                     | \$         |
| <b>Financial assets</b>      |       |                        |            |                        |            |
| Cash & cash equivalents      | 1     | 923,186                | 923,186    | 7,095,713              | 7,095,713  |
| Trade & other receivables    | 1     | 510,595                | 510,595    | 322,251                | 322,251    |
| Inventory                    | 1     | 382,443                | 382,443    | -                      | -          |
| Other financial assets       | 1     | 53,200                 | 53,200     | 53,200                 | 53,200     |
| Other assets                 | 1     | 1,166,219              | 1,166,219  | 1,005,365              | 1,005,365  |
| <b>Financial liabilities</b> |       |                        |            |                        |            |
| Trade & other payables       | 1     | 1,158,000              | 1,158,000  | 1,807,475              | 1,807,475  |
| Other current liabilities    | 1     | -                      | -          | 66,542                 | 66,542     |

The following table represents a comparison between the carrying amounts and fair values of non-financial assets and liabilities:

|                                  | Level | As at 31 December 2017 |            | As at 31 December 2016 |            |
|----------------------------------|-------|------------------------|------------|------------------------|------------|
|                                  |       | Carrying amount        | Fair value | Carrying amount        | Fair value |
|                                  |       | \$                     | \$         | \$                     | \$         |
| <b>Non-financial assets</b>      |       |                        |            |                        |            |
| Plant and equipment              | 2     | 117,943                | 117,943    | 194,235                | 194,235    |
| Intangibles                      | 3     | -                      | -          | -                      | -          |
| <b>Non-financial liabilities</b> |       |                        |            |                        |            |
| Provisions                       | 2     | 28,931                 | 28,931     | 69,273                 | 69,273     |

There were no transfers between Level 1 and level 2 for assets and liabilities measured at fair value on a recurring basis during the reporting period (2016: no transfers).

**Reconciliation of Recurring Level 3 Fair Value Measurements**

**Intangibles**

|   |    |
|---|----|
|   | \$ |
| Balance at the beginning of the year                        | -  |
| Additions during the year                                   | -  |
| Gains/(losses) recognised in profit or loss during the year | -  |
| Balance at the end of the year                              | -  |

There were no transfers between Level 2 and Level 3 for liabilities measured at fair value on a recurring basis during the reporting period (2016: no transfers).

For personal use only



**IOT GROUP LIMITED  
ABN 66 140 475 921  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 34. Company Details**

The registered office of the company is:

IOT Group Limited  
Suite 902, Level 9  
100 William Street  
East Sydney 2011

The principal place of business is:

IOT Group Limited  
Suite 902, Level 9  
100 William Street  
East Sydney 2011

For personal use only

**IOT GROUP LIMITED  
ABN 66 140 475 921  
AND CONTROLLED ENTITIES**

**Directors' Declaration**

In accordance with a resolution of the directors of IOT Group Limited, the directors declare that:

1. The financial statements and notes, as set out on pages 18 to 65, are in accordance with the Corporations Act 2001, and:
  - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards, and
  - (b) give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

**Sydney, dated this 26th day of February 2018**



**Sean Neylon  
Director**



# A D Danieli Audit Pty Ltd

Authorised Audit Company  
ASIC Registered Number 339233  
Audit & Assurance Services

Level 1, 261 George Street  
Sydney NSW 2000  
PO Box H88  
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099

Fax: (02) 9262 2502

Email: [add3@addca.com.au](mailto:add3@addca.com.au)

Website: [www.addca.com.au](http://www.addca.com.au)

## Independent Auditor's Report

To the Members of

IOT Group Limited

A.B.N. 66 140 475 921

And Controlled Entities

### Report on the audit of the Financial Report

#### Opinion

We have audited the consolidated financial report of IOT Group Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of 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 Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- (ii) 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.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which indicates the group incurred a loss of \$8,335,229 during the year ended 31 December 2017 as well as negative cash flows of \$8,828,645. As of that date, the group had cash and cash equivalents of \$923,186, current assets of \$2,982,443 and current liabilities of \$1,186,931. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**

**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.

| <b>Key Audit Matter</b>   | <b>How our Audit Addressed the Key Audit Matter</b>  |
|---|--|
| <p><i>Going Concern</i></p> <p>The group incurred a loss for the period of \$8,335,229 for the period, having cash and cash equivalents of \$923,186 and trade payables of \$1,158,000, total current assets of \$2,982,443 and total current liabilities of \$1,186,931.</p> <p>These circumstances indicate a risk to going concern for the group and as a result was considered an area of risk.</p> <p>During the audit, management assessed the groups going concern and determined the group can continue as a going concern based on continued shareholder support and increased forecasted sales.</p> | <p>During our audit we evaluated the appropriateness of management's assessment that the group can continue as a going concern.</p> <p>Our procedures included challenging management on the suitability and reasonableness of these assumptions, through performing the following:</p> <ul style="list-style-type: none"><li>• Review and testing of budgets provided.</li><li>• Assessment of ongoing capital raising and capacity to raise further funds in the future.</li></ul> <p>Based on our procedures, we noted a material uncertainty still exists relating to going concern</p>  |
| <p><i>Expenditure for the period</i></p> <p>During the period the group incurred expenses of \$10,809,995 resulting in a total loss of \$8,335,229.</p> <p>Due to our materiality assessment in the context of the financial statements, expenditure for the period was considered an area of risk in our overall audit strategy.</p>   | <p>During our audit we evaluated disclosures and challenged management while undertaking procedures to confirm the completeness of expenditure and suitable disclosure of expenses brought to account including:</p> <ul style="list-style-type: none"><li>• Substantive testing of material balances.</li><li>• Reviewing all general ledger transactions entered into the groups records</li><li>• Tested expenditure cut off procedures.</li><li>• Annualised accruals and prepayments capitalised for the period.</li></ul> <p>Due to limited separation of duties within the group, a substantive audit approach was taken.</p> <p>Based on our procedures, expenditure for the period was fairly stated.</p> |

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**

---

*Other current assets - prepayments*

As at balance date, the group has other current assets of \$1,166,219 primarily made up of prepayments for inventory.

Management assess costs incurred during the period and capitalise based on their judgements.

Management assessed that this balance will be applied to new and existing product lines of stock coming to the market that have not yet been ordered.

During our audit we have evaluated the appropriateness of capitalisation policies and reviewed and challenged management's assessment on the recoverability of prepayments made ensuring inventory provided will not be obsolete

Based on our procedures, we noted that prepayments are fairly stated.

---

*Cash and cash equivalents*

Cash and cash equivalents totaling \$923,186 is a significant balance to the Group.

We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to significant level of judgement, However, due to the materiality in the context of the financial statements as a whole, they are considered to be an area of risk in our overall audit strategy.

We have evaluated disclosure and challenged management during our procedures to confirm existence of the asset including:

- Documenting and assessing the processes and controls in place to record cash transactions;
- Testing and sampling payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and
- Agreeing 100% of cash holdings to independent third-party confirmations.

Based on our work, we noted no significant issues in respect to cash and cash equivalents.

---

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 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.

**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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

**IOT GROUP LIMITED  
ABN 66 140 475 921  
AND CONTROLLED ENTITIES**

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 12 to 16 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of IOT Group Limited, for the year ended 31 December 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.

**A D Danieli Audit Pty Ltd**



**Sam Danieli  
Director**

Sydney, 26 February 2018

For personal use only

**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**

**Additional Information for Listed Public Companies**

The following information is current as at 22 February 2018.

**Distribution Schedule**

| <b>SPREAD OF HOLDINGS</b> | <b>NUMBER OF<br/>HOLDERS</b> | <b>NUMBER OF UNITS</b> | <b>% OF TOTAL ISSUE<br/>CAPITAL</b> |
|---------------------------|------------------------------|------------------------|-------------------------------------|
| 1-1,000                   | 147                          | 19,695                 | 0.01%                               |
| 1,001-5,000               | 196                          | 868,677                | 0.08%                               |
| 5,001-10,000              | 209                          | 1,653,729              | 0.16%                               |
| 10,001-100,000            | 1,100                        | 56,052,625             | 5.40%                               |
| 100,001-999,999,999       | 904                          | 979,473,828            | 94.35%                              |
| <b>TOTAL</b>              | <b>2,556</b>                 | <b>1,038,068,554</b>   | <b>100%</b>                         |

As at 20 February 2017 there were 648 shareholders with unmarketable parcels of shares.

**Substantial shareholders**

The names of the substantial shareholders listed in the holding company's register are:

| <b>Shareholder</b>                       | <b>Number of Shares</b> |
|--|-------------------------|
| J P Morgan Nominees Australia Limited    | 152,887,341             |
| IOT Ventures Trust                       | 23,143,380              |
| Foster Stockbroking Nominees Pty Limited | 21,638,120              |
| Gold Resources Limited                   | 21,638,120              |
| Talk to Geoffrey Pty Limited             | 20,000,000              |

The voting rights attached to each class of equity security are as follows:

**Ordinary Shares:**

- Each ordinary share is entitled to one vote when a poll is called; otherwise each member present at a meeting or by proxy has one vote on a show of hands.



**IOT GROUP LIMITED**  
**ABN 66 140 475 921**  
**AND CONTROLLED ENTITIES**

**Additional Information for Listed Public Companies (Cont.)**

**Top Twenty Shareholders**

| <b>Name</b>                                    | <b>Number</b> | <b>%</b> |
|--|---------------|----------|
| J P Morgan Nominees Australia Limited          | 152,887,341   | 14.73    |
| IOT Ventures Trust                             | 23,143,380    | 2.23     |
| Foster Stockbroking Nominees Pty Limited       | 21,638,120    | 2.08     |
| Gold Resources Limited                         | 21,638,120    | 2.08     |
| Talk to Geoffrey Pty Limited                   | 20,000,000    | 1.93     |
| Safe Properties Pty Ltd                        | 17,048,607    | 1.64     |
| Mr George Eustratios Manios                    | 17,000,000    | 1.64     |
| Mrs Jiali Zhang                                | 15,700,000    | 1.51     |
| Tallis Custody Pty Limited                     | 15,240,763    | 1.47     |
| S3 Consortium Pty Ltd                          | 11,875,000    | 1.14     |
| Snowy Venture Capital Group Pty Limited        | 11,684,585    | 1.13     |
| IFM Pty Limited                                | 10,819,060    | 1.04     |
| Bannaby Investments Pty Ltd                    | 10,819,060    | 1.04     |
| Mr Deric Chong                                 | 10,795,864    | 1.04     |
| Mr Richard James Ansell                        | 10,303,332    | 0.99     |
| Mr Allan John Hebert & Mrs Prue Natalie Hebert | 10,000,000    | 0.96     |
| Group ID Pty Ltd                               | 9,974,014     | 0.96     |
| Jenna Hanna                                    | 9,840,641     | 0.95     |
| Mr Kongsak Boonkerd                            | 8,000,000     | 0.77     |
| Mr Peter Robert Clark & Mrs Linda Ann Clark    | 7,252,539     | 0.70     |
| <b>TOTAL</b>                                   | 415,660,426   | 40.03    |

The name of the company secretary is Ron Hollands.

The address of the principal registered office in Australia is Suite 902, Level 9, 100 William Street, East Sydney 2011.

Registers of securities are held at the following addresses:

Link Market Services Limited Level 12, 680 George Street, SYDNEY NSW 2000

**Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australia Securities Exchange Limited.