identitii

Identitii Limited
ABN : 83 603 107 044
ASX : ID8

FY21
Annual Report

Contents

About Identitii

Identitii is helping reduce regulatory risk, without replacing legacy technology.

A letter from our Chairman

Dear shareholders and friends,

I am pleased to provide you with Identitii's FY21 Annual Report.

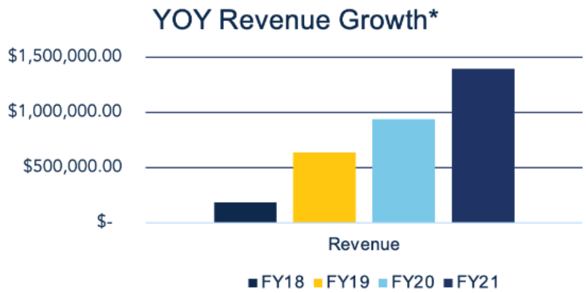
Over the past twelve months we have enjoyed stability and alignment on our Board, meeting frequently with our CEO and key leadership team members to discuss key issues and continue reviewing the effectiveness of our strategy. In addition to ensuring good governance and effective return on capital, the Board's primary focus is our customer acquisition and revenue growth plans, which I am confident will accelerate in the year ahead. We are also mindful of our other value drivers, such as our U.S. Patent, our Payble joint venture with CommBank's x15ventures, and several other emerging projects.

We also welcomed Tim Phillipps to the Board of Directors this year, following his 45-year career with Deloitte, ASIC and the Victoria Police, where he specialised in regulatory technology and fighting financial crime. Tim has been a fantastic addition to the Board, leveraging his industry knowledge, experience and network to help the team evolve our strategy and connect us with senior decision makers within the financial services industry. Tim's appointment also addressed the need for further independent governance, in addition to our Co-founder and CEO who are both heavily invested in the business.

The Board is proud of the achievements our team delivered this year, although we are certainly mindful that our acquisition of new customers was below expectation. That said, we are optimistic about our strategy, confident there is significant and genuine demand for our products, and fully supportive of our CEO's ability to execute successfully in the year ahead.

Thank you for your ongoing support. I look forward to a successful year ahead.

Steve James,
Chairman



A letter from our CEO

Dear shareholders and friends,

There are many reasons to be proud of this past year, as we made tremendous advances in some less visible foundations for success, that will deliver benefit this year and beyond. Of particular note, I am immensely proud of the team and the culture we have built, and increasingly confident in both our evolving strategy and its execution. That said, there is little doubt we fell short of our new customer aspirations and that shareholders and the market were hoping for more.

Identitii's incredible network of supporters, both shareholders and observers alike, is one of our key brand assets that we consistently leverage to secure productive meetings with prospective customers. This traction, together with our growing brand awareness and recognition within the industry, continue to inspire and reassure everyone at Identitii that we will genuinely deliver our vision of a trusted and transparent global financial services industry.

The right strategy

Identitii is a growing RegTech provider solving the problem that, whilst money moves around the world with relative ease today, there is growing demand from government regulators and customers to see more granular information about individual financial transactions. For most of the global financial services industry, the use of multiple legacy systems, that create and store data in different formats and locations, makes it incredibly difficult to meet this demand.

Globally, we are witnessing significant growth in fines, reputational damage and jail-time for executives, for non-compliance with growing regulatory requirements. This increasing scrutiny, predominantly on the legacy technology used by most of the industry, is driving significant interest in the technology Identitii is developing. Our strategy to enhance what is already there enables our customers to quickly meet the demands of regulators and customers alike.

Evolving for success

Whilst we have relished significant interest in our technology from some of the biggest global brands in the industry, both here in Australia and in other key global markets, the industry's lengthy and complicated buying journey remains our biggest challenge. This is something that has a significant impact on us, yet we have very little control over.

Perhaps the biggest lesson we have learned this year, is that working hard to close these large deals can take a very long time, consume significant capital and frustrate shareholders in the process. Whilst winning these deals should, and will, always form part of our core revenue growth strategy – we've recognised the need to look for alternative, additional revenue streams to help us scale.

This is why we were so excited to recently announced the launch of a Software-as-a-Service version of the Identitii platform, and the first customer in an all-new segment to sign with us. Novatii (ASX:NOV) are the first of many new customers that will help us grow revenue in a more linear fashion, to stabilise market sentiment during periods between the larger wins.

The right culture

"Culture eats strategy for breakfast" – said consultant and writer Peter Drucker, implying that a powerful and empowering culture is a surer route to organisational success, than a great strategy. I'm hopeful that at Identitii we have both.

We survey the temperature of our team every three weeks, and more than 90% of our team have responded over the past three months, meaning they believe giving feedback is a worthwhile exercise because we will do something with it. And we certainly do.

To provide a little more insight into our culture, our two highest scoring questions are "Taking everything into account, I would say that (Identitii) is a great place to work" at 83% (last three months) average and "Identitii inspires me to do my best work every day" at 81% average. We are right to be very proud of these key cultural indicators.

The right people

Over the past twelve months, Identitii has implemented a scalable organisational design, that focuses heavily on attracting and engaging customers, to ensure there is real, validated market demand for the products we build. Identifying and creating the right roles, from sales and marketing, to product and technology, and information security, is critical to ensure operational efficiency and the best possible return on shareholder capital.

With the right structure in place, the Company has been able to focus on attracting some fantastic talent, recruiting leaders from within the banking industry to help us better understand our prospective customers, and software engineers from successful technology companies to help us stay ahead of emerging trends. I am supremely confident in the team we have built and their ability to deliver our strategy in the year ahead.

Summarising the year

I am very proud of the long list of achievements the team delivered this year, increasingly optimistic about our strategy given the validation our technology is receiving in the market, and confident that all translates into real value in the year ahead. I am also conscious this past year delivered less customer growth than was expected of us and hope I have provided enough insights into our awareness of that, but more importantly into what we are already doing differently this year as a result.

I hope you enjoy reading our annual report, and take this opportunity to say thank you for your continued support of the Board, the Executive and our Team.

Regards,
John Rayment
Chief Executive Officer

FY21 Highlights

H1

- Mastercard signed 5-year global MSA
- Identitii awarded ISO 27001 certification
- Identitii launched new RegTech strategy
- First project with Mastercard commenced
- Won global RegTech competition at Sibos
- Patent approval granted in the U.S.
- Second project with Mastercard commenced
- CBA's x15ventures invested in Payble
- $7.9M raised

H2

- Joe Higginson joined from Investec Bank
- HSBC renewed contract for additional $2.0M
- Identitii named in Deloitte APAC Fast 500
- x15ventures invested $1.0M into Payble
- Deloitte and ASIC veteran joined the Board
- Overlay+ went live with customers twice:
  - Reporting IFTI's and TTR's to AUSTRAC
  - Requesting missing information from correspondent banks
- Revenue from customers up 45% from FY20
- 634% growth in revenue from customers (FY18-FY21)

FY22

- Novatti signed licence for AUSTRAC reporting
- New SaaS platform announced to shorten sales cycle and significantly expand target customer base, due for launch Q1 FY22
- Citibank signed LOI signalling upcoming MSA to licence Overlay+ for AUSTRAC reporting

Directors Report

The Directors present their report together with the consolidated financial statements of the Group comprising of Identitii Limited (the Company) and its subsidiaries for the year ended 30 June 2021 and the auditor's report thereon.

Directors

The Directors of the Company at any time during the year ended 30 June 2021 and up to the date of this report are:

Name, qualification and independence status	Experience, special responsibilities and other directorships
Executive	
Mr. John Rayment *Dip Proj Mgt, Dip Bus Mgmt, Dip Bus Mktg* *Executive Director*	John brings a wealth of experience to Identitii, having supported many early-stage ventures through sharp periods of growth. He has held board and executive roles at Travelex across the globe and has proven success in helping businesses to scale in line with rapidly expanding customer demand. John is the Chief Executive Officer/Managing Director of the Company.
Non-Executive	
Mr. Steven James *M(Fin Serv) Law, NSAA, Dip FM, GAICD* *Independent Non-Executive Director* *Chairman*	Steve has held senior leadership and board positions at multiple public and private organisations, including the Commonwealth Bank of Australia, CommSec, Aston Consulting, Motorcycling Australia and Seer Asset Management. He also played a pivotal role in developing the first online stockbroking business for financial planners, which was later sold to CommSec. Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Name, qualification and independence status	Experience, special responsibilities and other directorships
Non-Executive	
Mr. Nicholas Armstrong *B. Sc* *Non-Executive Director*	Nicholas is an entrepreneur, with over 15 years' experience in building and scaling technology businesses. Nicholas was founder and CEO of COZero Holdings Ltd, an energy technology company, until it was taken over by a Japanese strategic investor in 2013. Nicholas co-founded Identitii in 2014 with Eric Knight and was the CEO for 6 years before moving into his new role as Non-Executive Director in May 2020. Member of the Nomination and Remuneration Committee and of the Audit and Risk Committee.
Mr. Timothy Phillipps *Dip Arts* *Independent Non-Executive Director* Appointed 27 May 2021	Tim is a Financial Crime and RegTech expert with 45 years of industry experience, most recently at Deloitte, where he held Global and Asia-Pacific roles in financial crime compliance and analytics, and prior to that with ASIC as Director of Enforcement. Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.
Mr. Stephen Porges *Independent Non-Executive Director* *Chairman* Appointed 1 February 2021 (resigned 3 February 2021)	

Company secretary

Elissa Hansen has over 20 years' experience advising boards and management on corporate governance, compliance, investor relations and other corporate related issues. She has worked with boards and management on a range of ASX listed companies including assisting companies through the IPO process. Elissa is a Chartered Secretary who brings best practice governance advice, ensuring compliance with the Listing Rules, Corporations Act and other relevant legislation.

Directors' meetings

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

	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Steven James	10	10	3	3	1	1
John Rayment	10	10	-	-	-	-
Nicholas Armstrong	10	9	3	3	1	1
Timothy Phillipps	1	1	-	-	-	-
Stephen Porges	-	-	-	-	-	-

A Eligible to attend
B Attended

Principal activities

The principal activities of the Group during the financial year were business development, marketing and research and development activities, as well as further development of Identitii's Overlay+ platform. During the year, Identitii announced a revised RegTech strategy which allowed it to focus on delivering growth across five key areas:

- Deliver*:* Focus on servicing existing clients including HSBC, Mastercard, HomeSend and, as of July 2021, Novatti;
- Land: Leverage AUSTRAC's public discussion of regulatory non-compliance to drive sales of Overlay+ Reporting;
- Expand: Grow reporting deals to include Request use cases (correspondent bank and remediation) once contracts are agreed;
- Innovate: continuously improve the core Overlay+ platform through ongoing innovation and product updates; and
- Monetise: Maximise other previous technology investments, which no longer fit the Company's core RegTech strategy.

Identitii operates in a growing market, with global spending on RegTech solutions predicted to reach US$130 billion by 2025 (*Juniper Research, 'RegTech: Market Opportunities, Challenges and Forecasts 2021-2025'*). Increasing enforcement of regulatory obligations by governments around the world, including AUSTRAC who levied $2 billion in fines for non-compliance in the past two years alone, rising financial crime, the appearance of new players in the financial services industry and accelerated adoption of digital technologies have combined to push regulated entities to find new, technology-based ways to simplify and automate how they conduct financial crime compliance.

Identitii is well placed to take advantage of this trend with its Overlay+ platform that makes it easier for regulated entities to process payments and ensure compliance. Identitii gives financial services businesses a single view of their data, solving the problem that the information needed to process and report financial transactions is often incomplete, inaccurate, or even missing, holding up payments and increasing the risk of non-compliance.

Review of operations

During the year ended 30 June 2021, the Group achieved the following milestones:

- On 24 July 2020, the Group confirmed it had successfully raised an additional $1.9 million by placing 27.3 million Residual Shortfall Shares reserved per the Company's Entitlement Offer prospectus.
- On 24 August 2020, the Group announced it had signed a five year Master Services Agreement (MSA) with Mastercard International Incorporated (Mastercard).
- On 30 September 2020, the Group announced it was awarded ISO 27001 information security certification.
- On 15 October 2020, Identitii announced that it had won a global RegTech competition at the world's largest financial services and FinTech event, Sibos.
- On 21 October 2020, Identitii announced it had signed a Statement of Work (SOWs) with Mastercard, following the MSA announced in August. The SOW sets out how Mastercard will use Overlay+ to securely share financial crime compliance information within its cross-border payments network.
- On 24 November 2020, the Company went into a trading halt pending the completion of a placement to sophisticated and institutional investors. The placement was oversubscribed raising $4.0 million in capital. On 3 December 2020 a total of 27.5 million shares were issued at $0.146 per share.
- On 10 December 2020, the Company announced a second SOW under its MSA with Mastercard. The SOW outlines how HomeSend will use Overlay+ to help support the delivery of financial crime compliance obligations.
- On 14 December 2020, the Company was awarded U.S. Patent Approval. The patent covers the Group's secure financial information sharing ecosystem.
- On 15 December 2020, the Company announced it had signed, alongside CBA New Digital Businesses Pty Ltd (x15ventures), a Memorandum of Understanding (MOU) with Identitii subsidiary Payble Pty Ltd (Payble). x15ventures invested $0.150 million directly into Payble to help complete an existing trial.
- On 31 December 2020, the Group announced the closing of an oversubscribed share purchase plan (SPP). On 6 January 2021, the Company issued a total of 13.7 million shares at $0.146 per share to participating shareholders, raising an additional $2.0 million in capital.
- On 31 December 2020, the Group announced the resignation of CFO, Margarita Claringbold. This was followed by the appointment of Trent Jerome on 1 February 2021.
- On 1 April 2021, the Group announced the renewal of its original 2017 contract with HSBC for a further three years. The contract is worth up to $2.0 million over the term of the agreement. The global Master Framework Agreement was also renewed allowing Identitii to licence its technology to any HSBC business globally.
- On 12 April 2021, it was announced x15ventures had invested $1.0 million in Payble for a minority stake. The funds will be used to accelerate Payble's growth plans.
- On 4 May 2021, Identitii announced that Joe Higginson had joined as Chief Commercial Officer (CCO). Joe is the former Head of Payments for Investec Bank and has also held the position of Global Head of Payments at Travelex.
- On 27 May 2021, Timothy Phillipps joined the board as an independent non-executive Director.

Review of financial conditions

The Group reported revenue from contracts with customers of $1,364,197 for the year ended 30 June 2021 (30 June 2020: $941,592), an increase of 45% from the prior year. The Group reported a net loss after tax of $5,873,875 for the year ended 30 June 2021 (30 June 2020: $7,074,479) which was substantially driven by salary and employee benefit expenses and expenditure on research and development (R&D) related activities.

Review of operations (continued)

The Group held $33,039 of borrowings and leases at 30 June 2021, had a positive net current asset balance of $4,843,582 and a positive overall net asset balance of $5,002,124.

The Group had $4,489,311 of cash and cash equivalents on hand at 30 June 2021 and reported a net cash outflow from operating activities of $4,759,614 during the year ended 30 June 2021.

Significant changes in the state of affairs

During the year, Identitii Limited founded new subsidiary Payble Pty Ltd (Payble) in conjunction with Elliott Donazzan. Subsequent to incorporation, CBA New Digital Businesses Pty Ltd (x15ventures) invested $1.0 million in Payble to acquire a minority ownership stake and to assist in accelerating its growth plans. Identitii Limited holds a 60% majority shareholding as at 30 June 2021.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2021, other than noted above.

Dividends

No dividends were declared or paid by the Company during the financial year ended 30 June 2021.

Events subsequent to reporting date

Following the results of a General Meeting held on 6 July 2021 the Company issued 285,714 shares at $0.07 per share to John Rayment in full and final settlement of his loan. Furthermore, 1,000,000 share options with an exercise price of $0.25 were issued to both Steven James and Nicholas Armstrong in their capacity as Non-Executive Directors of the Company. These share options vest over three years pending continued employment and expire on 8 July 2024.

On 30 July 2021, the Group announced it had signed a three-year licence agreement with Novatti Group Limited worth $0.2 million. The licence is for the Group's new Software as a Service (SaaS) version of Overlay+.

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

Likely developments

The Group will continue to develop the Overlay+ platform and continue to sign new customers and grow its pipeline of partners. This will require further investment in product and business development and marketing.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not regulated by any significant law of the Commonwealth or of a State or Territory relating to the environment.

Directors interests

The relevant interest of each Director in the shares and options over shares issued by the companies within the Group, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Steven James	-	1,000,000
John Rayment (1)	1,590,608	8,000,000
Nicholas Armstrong (2)	9,609,275	2,350,000
Timothy Phillipps	-	-
Stephen Porges	-	2,000,000

(1) Shares held by Elorey Pty Ltd, of which John Rayment is a beneficiary

(2) HSBC Custody Nominees (Australia) Pty Ltd acts as custodian over 7,000,000 shares for security purposes pursuant to a Master Loan Agreement and Deed of Security entered into with Nicholas Armstrong in his personal capacity. Nicholas Armstrong remains the ultimate beneficial owner of the shares. Majority of the balance of the shares and the options are held by 275 Invest 2 Pty Ltd ATF the 275 Investment Trust, of which Nicholas Armstrong is a beneficiary

Share options

Unissued shares under option

At the date of this report, unissued shares of the Group under option are:

Expiry date	Exercise price	Number of shares
13 May 2022	$0.10	5,000,000
2 October 2022	$0.75	2,292,686
8 October 2022	$0.75	50,000
21 October 2022	$0.15	2,000,000
19 November 2022	$0.75	97,169
1 January 2023	$0.75	100,000
14 January 2023	$0.75	14,018
11 February 2023	$0.75	12,191
6 March 2023	$0.75	49,680
18 March 2023	$0.75	30,548
27 May 2023	$0.75	100,000
8 July 2024	$0.25	2,000,000
19 October 2025	$0.15	8,000,000

Share options (continued)

Expiry date	Exercise price	Number of shares
1 January 2026	$0.15	13,350,000
1 July 2028	$0.75	358,082
1 August 2028	$0.75	1,928,125
Total unissued shares under option		**35,382,499**

All unissued shares are ordinary shares of the Company.

All options issued to employees under the Group's Equity Incentive Plan expire on the earlier of their expiry date or termination of the employee's employment, unless approved otherwise by the Board. All other options expire on their expiry date.

Further details about share-based payments to Directors and Key Management Personnel are included in the remuneration report in Table 1.

Shares issued on exercise of options

During or since the end of the financial year, no ordinary shares of the Company were issued by the Group as a result of the exercise of options.

Indemnification and insurance of officers and auditors

The Company has entered into a director protection deed with each Director. Under these deeds, the Company indemnifies the Directors against all liabilities to another person that may arise from their position as Director of the Company and its controlled entities.

The Company has not indemnified or made a relevant agreement for indemnifying against a liability to any person who is or has been an auditor of the Group.

The Group paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts for the year ended 30 June 2021 and subsequent to the year end. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been Directors or Executive Officers of the Group.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 25 to the financial statements.

The Board are satisfied that the provision of non-audit services during the financial year, by the auditor, is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of RSM

There are no officers of the Company who are former partners of RSM.

Proceedings on behalf of the Group

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22 and forms part of the Directors' report for the year ended 30 June 2021.

Rounding of amounts to the nearest dollar

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

Audited Remuneration Report

The Directors present the Remuneration Report (the Report) for the Company and its subsidiaries (the Group) for the year ended 30 June 2021. This Report forms part of the Directors' Report and has been audited in accordance with Section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for the Group's Key Management Personnel (KMP):

- Executive Directors and other KMP
- Non-Executive Directors

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Group.

1. Principles of remuneration

The performance of the Group depends upon the quality and commitment of the Directors and Executives. The philosophy of the Directors in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate hurdles for variable executive remuneration.

The Nomination and Remuneration Committee reviews and make recommendations to the Board on the Group's remuneration policies, procedures and practices. It also defines the individual packages offered to Executive Directors and KMP, for recommendation to the Board.

The Board may consider engaging an independent remuneration consultant to advise the Board on appropriate levels of remuneration relative to its industry peer group.

In accordance with Corporate Governance best practice (Recommendation 8.2), the structure of Non-Executive Director and Executive remuneration is separate and distinct as follows:

a) *<u>Non-Executive Directors</u>*

Fixed and variable remuneration

The Board seeks to set Non-Executive Directors' remuneration at a level that provides the Group with the ability to attract and retain Directors of a high calibre whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. This amount has been fixed by the Company at $250,000. The amount of aggregate remuneration and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from shareholders and takes into account the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Non-Executive Directors' base fees cover all main board activities and membership of all committees; however, they do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation. Non-executive Directors are entitled to participate in the Equity Incentive Plan.

1. Principles of remuneration (continued)

Year ended to	**30 June 2021 $**	**30 June 2020 $**
Chairman's fee	75,000	50,000
Non-Executive Directors fee	50,000	50,000

b) *Executives and Executive Director remuneration*

Remuneration for Executives and Executive Directors consists of fixed and variable remuneration only.

Fixed remuneration

Fixed remuneration is reviewed annually by the Directors. The process consists of a review of relevant comparative remuneration in the employment market and within the Group. The Group may engage an independent remuneration consultant to advise the Board on appropriate levels of remuneration for the Group's Executive Directors relative to its industry peer group.

Variable remuneration

Variable remuneration is provided in the form of share options under the Group Equity Incentive Plan (EIP). Under the EIP, one share option entitles the holder to one share in the Company subject to vesting conditions. Executives and Executive Directors vesting conditions are linked to continued years of service and may be linked to performance hurdles. The Board have the discretion to settle share options with a cash equivalent payment. Participants in the EIP will not pay any consideration for the grant of the share option unless determined otherwise. Share options will not be listed and may not be transferred, assigned or otherwise dealt with unless approved by the Directors. If the executive's employment terminates before the share options have vested, the share options will lapse, unless approved otherwise by the Board.

2. Details of remuneration

Details of the remuneration of the KMP as defined in *AASB 124 Related Party Disclosures* are set out in Table 1 which follows.

The KMP of the Group have authority and responsibility for planning, directing and controlling the activities of the Group. The KMP make or participate in making decisions that affect the whole, or a substantial part, of the business or who have the capacity to affect significantly the Group's financial standing.

The KMP of the Group are the Executive and Non-Executive Directors and the Chief Financial Officer.

Details of the nature and amount of each major element of remuneration of each Director of the Company, and other KMP of the Group are:

Table 1	Short-term benefits		Post-employment	Other long-term benefits	Share-based payments	Total	% share-based payments
	Salary	**Consulting fee**	**Superannuation**	**(A)**	**Share options (B)**		**(variable)**
Year ended 30 June 2021	**$**	**$**	**$**	**$**	**$**	**$**	
Executive Directors							
John Rayment [(1)]	226,667	-	21,533	14,107	442,384	**704,691**	63%
Non-Executive Directors							
Steven James [(2)]	64,425	-	-	-	-	**64,425**	-
Nicholas Armstrong [(3)]	45,662	34,800	4,338	-	47,674	**132,474**	36%
Timothy Phillipps [(4)]	4,762	-	-	-	-	**4,762**	-
Other KMP							
Trent Jerome [(5)]	95,833	-	9,104	5,603	52,837	**163,377**	32%
Margarita Claringbold [(6)]	84,600	-	-	-	-	**84,600**	-
Total	**521,949**	**34,800**	**34,975**	**19,710**	**542,895**	**1,154,329**	

(1) Salary increased from $210,000 to $260,000 per annum effective 1 March 2021.
(2) Remuneration invoiced via Aston Consulting Pty Ltd of which Steven James is a beneficiary.
(3) Share options held via 275 Invest 2 Pty Ltd of which Nicholas Armstrong is a beneficiary.
(4) Appointed 27 May 2021.
(5) Appointed 1 February 2021.
(6) Remuneration invoiced via Gram Accounting & Advisory Pty Ltd of which Margarita Claringbold is a beneficiary. This includes remuneration for CFO, accounting and equity raise related services. Resigned 31 December 2020.

(A) In accordance with AASB 119 Employee Benefits, annual leave is classified as other long-term employee benefits.
(B) The fair value of share options is calculated at the grant date using an option-pricing model and allocated to each reporting period from grant date to vesting date depending on the vesting conditions attached to the options. The value disclosed is the portion of the fair value of the options recognised as an expense in the reporting period.

Table 1	Short-term benefits		Post-employment	Other long-term benefits	Termination benefits	Share-based payments	Total	% share-based payments
	Salary	**Consulting fee**	**Superannuation**	**(A)**		**Share options (B)**		**(variable)**
Year ended 30 June 2020	**$**	**$**	**$**	**$**	**$**	**$**	**$**	
Executive Directors								
John Rayment [(1)]	60,455	-	5,743	4,650	-	-	**70,848**	-
Non-Executive Directors								
Steven James [(2)]	12,000	-	-	-	-	-	**12,000**	-
Nicholas Armstrong [(3)]	145,935	12,000	13,864	21,506	25,000	170,634	**388,939**	44%
Michael Aston [(4)]	71,040	-	6,749	-	-	47,395	**125,184**	38%
Peter Lloyd [(5)]	32,517	-	3,089	-	-	-	**35,606**	-
Nathan Lynch [(6)]	11,060	-	1,052	-	-	-	**12,112**	-
Martin Rogers [(7)]	16,740	-	-	-	-	-	**16,740**	-
Other KMP								
Margarita Claringbold [(8)]	165,549	-	-	-	-	-	**165,549**	-
Total	**515,296**	**12,000**	**30,497**	**26,156**	**25,000**	**218,029**	**826,978**	

(1) Appointed as CEO on 19 March 2020.
(2) Remuneration invoiced via Aston Consulting Pty Ltd of which Steven James is a beneficiary. Appointed 19 March 2020.
(3) Includes remuneration as Executive Director from 1 July 2019 – 15 May 2020 and as Non-Executive Director from 16 May 2020 – 30 June 2020. Share options held via 275 Invest 2 Pty Ltd of which Nicholas Armstrong is a beneficiary.
(4) Share options held via M&M Funds Management Pty Ltd ATF Savu Superannuation Fund of which Michael Aston is a beneficiary. Resigned 17 March 2020.
(5) Resigned 17 March 2020.
(6) Appointed 8 December 2019 (resigned 3 March 2020).
(7) Remuneration invoiced via Structure Investments Pty Ltd ATF Rogers Family Trust of which Martin Rogers is a beneficiary. Resigned 8 October 2019.
(8) Remuneration invoiced via Gram Accounting & Advisory Pty Ltd of which Margarita Claringbold is a beneficiary. This includes remuneration for CFO, accounting and equity raise related services.

3. Service agreements

The following is a summary of the current major provisions of the agreement relating to remuneration of the Executive Director.

John Rayment – Chief Executive Officer

John Rayment is the Chief Executive Officer of the Group and is considered a key member of the Group's management team.

John receives a base salary of $260,000 per annum plus superannuation and holds 8,000,000 share options with attached service and performance vesting conditions.

During the year ended 30 June 2021, no bonuses were paid to John Rayment.

Employment Conditions

Commencement date: 19 March 2020

Term: Ongoing until notice is given by either party

Review: Annually

Notice period required on termination: 3 months by either party

Termination benefits: None

Independent Review

To ensure the Group complies with industry best practice in relation to the remuneration of its Executive Director, the Non-Executive Directors of the Group will consider engaging the services of a remuneration consultant to conduct an independent assessment of the remuneration packages negotiated with its Executive Director.

The following is a summary of the current major provisions of the agreement relating to remuneration of Executive KMP:

Trent Jerome – Chief Financial Officer

Trent Jerome is the Chief Financial Officer of the Group and is considered a key member of the Group's management team.

Trent receives a base salary of $230,000 per annum plus superannuation and holds 2,000,000 share options with attached service and performance vesting conditions.

Employment Conditions

Commencement date: 1 February 2021

Term: Ongoing until notice is given by either party

Notice period required on termination: 3 months by either party

Termination benefits: None

The following is a summary of the current major provisions of the consulting agreement relating to remuneration of Non-Executive Director, Nicholas Armstrong.

3. Service agreements (continued)

Nicholas Armstrong – Non-Executive Director

In addition to Nicholas Armstrong's role as Non-Executive Director, a consulting agreement was signed in the prior year which required Nicholas to provide an additional 2.5 days per week to the Company at a rate of $800 per day (exclusive of GST). The agreement covered the provision of business consulting services to the CEO as well as supporting the CEO to execute on agreed strategic, operational and commercial business objectives. This consulting support was terminated effective 31 October 2020 in accordance with the terms of the agreement.

Employment Conditions

Commencement date: 18 May 2020

Term: Until 31 October 2020

Notice period required on termination: 1 month by either party

Termination benefits: None

4. Equity instruments

All share options refer to options over ordinary shares of Identitii Limited, which are exercisable on a one-for-one basis under the Equity Incentive Plan (EIP).

a) *Options over equity instruments granted as compensation*

All options expire on the earlier of their expiry date or termination of the individual's employment. Vesting is conditional on the individual remaining in employment during the vesting period unless determined by the Board otherwise.

Share options were granted to KMP as compensation during the year ended 30 June 2021 as noted in the table below.

b) *Analysis of movements in equity instruments*

The movement during the year in the number of options over ordinary shares in Identitii Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2020	Granted during the year	Held at 30 June 2021	Vested during the year	Vested at 30 June 2021	Exercisable at 30 June 2021
Steven James	-	-	**-**	-	-	-
John Rayment	-	8,000,000	**8,000,000**	-	-	-
Nicholas Armstrong	1,350,000	-	**1,350,000**	450,000	900,000	900,000
Timothy Phillipps	-	-	**-**	-	-	-
Stephen Porges (1)	-	2,000,000	**2,000,000**	-	-	-
Trent Jerome	-	2,000,000	**2,000,000**	-	-	-
Margarita Claringbold (2)	-	-	**-**	-	-	-

4. Equity instruments (continued)

(1) Stephen Porges ceased as a Non-Executive Director on 3 February 2021. The options held balance at the end of the financial period is at date of cessation.
(2) Margarita Claringbold ceased as Chief Financial Officer on 31 December 2020. The options held balance at the end of the financial period is at date of cessation.

5. KMP transactions

a) *Loans from KMP and their related parties*

Details regarding loans outstanding at the end of the reporting period from KMP and their related parties, where the individual's aggregate loan balance exceeded $100,000 in the reporting period, are as follows:

	Balance at 1 July 2020 $	Balance at 30 June 2021 $	Interest not charged $	Highest balance in period $
John Rayment	100,000	20,000	-	100,000

This loan is for a 12 month term, is interest free and is to convert to equity at $0.07 per share in accordance with shareholder approval. During the year, $80,000 of the loan was converted to equity by issuing 1,142,857 shares to John Rayment at $0.07 per share, leaving a remaining loan balance of $20,000 at 30 June 2021. Subsequent to year end, a further 285,714 shares were issued to John Rayment in full and final settlement of his loan.

b) *Other transactions with KMP*

A number of KMP, or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of that entity.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

c) *Movement in shares*

The movement during the year in the number of ordinary shares in Identitii Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2020	Acquired	Held at 30 June 2021
Steven James	-	-	**-**
John Rayment	-	1,304,894	**1,304,894**
Nicholas Armstrong	9,555,263	54,012	**9,609,275**
Timothy Phillipps	-	-	**-**
Stephen Porges (1)	-	-	**-**
Trent Jerome	-	-	**-**
Margarita Claringbold (2)	7,000	142,857	**149,857**

5. KMP transactions (continued)

(1) Stephen Porges ceased as a Non-Executive Director on 3 February 2021. The ordinary shares held balance at the end of the financial period is at date of cessation.
(2) Margarita Claringbold ceased as Chief Financial Officer on 31 December 2020. The ordinary shares held balance at the end of the financial period is at date of cessation.

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

Steven James
Chairman

Sydney

26 August 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Identitii Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

GNS

Gary Sherwood
Partner

Sydney NSW
Dated: 26 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	30 June 2021 $	30 June 2020 $
Revenue from contracts with customers	8	1,364,197	941,592
Research and development tax incentive		905,319	740,381
Government grants	9	417,936	364,539
Other income		12,726	-
Interest income		1,823	14,396
Total revenue and other income		**2,702,001**	**2,060,908**
Expenses			
Salaries and employee benefit expenses		2,690,002	2,913,502
Share based payments		806,766	1,125,708
Consultants fees		886,805	1,490,385
Advertising and marketing		121,794	238,464
Depreciation and amortisation		402,013	121,759
General expenses		1,056,250	725,734
Interest expense		46,757	70,095
Legal expenses		151,536	214,104
Office expenses		435,698	289,426
Travel and accommodation		24,844	184,426
Short-term lease payments		24,292	62,050
Impairment / (reversal) on trade receivables		2,530	(2,291)
Gain on lease modification	10	(72,005)	-
Research and development expenses		1,998,594	1,702,025
Total expenses		**8,575,876**	**9,135,387**
Loss before income tax		**(5,873,875)**	**(7,074,479)**
Income tax expense	11	-	-
Loss for the year		**(5,873,875)**	**(7,074,479)**

	Note	30 June 2021 $	30 June 2020 $
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		65,893	8,853
Total comprehensive loss for the year		**(5,807,982)**	**(7,065,626)**
Loss for the year attributable to:			
Owners of Identitii Limited		(5,825,443)	(7,074,479)
Non-controlling interests	20	(48,432)	-
		(5,873,875)	**(7,074,479)**
Comprehensive loss for the year attributable to:			
Owners of Identitii Limited		(5,759,550)	(7,065,626)
Non-controlling interests	20	(48,432)	-
		(5,807,982)	**(7,065,626)**
Basic and diluted loss per share (cents)	12	(4.46)	(12.18)

Consolidated Statement of Financial Position

	Note	30 June 2021 $	30 June 2020 $
Assets			
Cash and cash equivalents	13	4,489,311	1,411,309
Research and development tax incentive receivable		905,319	740,381
Trade receivables	8	227,419	43,702
Other receivables		153,832	186,343
Contract assets	8	26,400	66,500
Current assets		**5,802,281**	**2,448,235**
Intangible assets	14	57,006	62,112
Property, plant and equipment	15	101,536	852,275
Non-current assets		**158,542**	**914,387**
Total assets		**5,960,823**	**3,362,622**
Liabilities			
Trade and other payables	16	271,109	267,734
Employee provisions	17	474,901	668,468
Contract liabilities	8	179,650	44,545
Borrowings and lease liabilities	18	33,039	848,930
Current liabilities		**958,699**	**1,829,677**
Borrowings and lease liabilities	18	-	474,818
Non-current liabilities		**-**	**474,818**
Total liabilities		**958,699**	**2,304,495**
Net assets		**5,002,124**	**1,058,127**

	Note	30 June 2021 $	30 June 2020 $
Equity			
Share capital	19	25,775,278	17,930,105
Share options reserve	29	4,517,002	3,710,236
Foreign currency translation reserve		73,017	7,124
Other reserves	20	688,123	-
Retained losses		(26,414,781)	(20,589,338)
Equity attributable to owners of Identitii Limited		**4,638,639**	**1,058,127**
Non-controlling interests	20	363,485	-
Total equity		**5,002,124**	**1,058,127**

Consolidated Statement of Changes in Equity

	Note	Share capital $	Share option reserve $	Foreign currency translation reserve $	Other reserves $	Retained losses $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2020		**17,930,105**	**3,710,236**	**7,124**	**-**	**(20,589,338)**	**1,058,127**	**-**	**1,058,127**
Loss after tax		-	-	-	-	(5,825,443)	(5,825,443)	(48,432)	(5,873,875)
Other comprehensive income		-	-	65,893	-	-	65,893	-	65,893
Total comprehensive loss		-	-	65,893	-	(5,825,443)	(5,759,550)	(48,432)	(5,807,982)
Issue of ordinary share capital	19	8,063,347	-	-	-	-	8,063,347	-	8,063,347
Costs of equity raising	19	(218,174)	-	-	-	-	(218,174)	-	(218,174)
NCI acquisition without loss of control	20	-	-	-	688,123	-	688,123	411,917	1,100,040
Equity-settled share based payments	29	-	806,766	-	-	-	806,766	-	806,766
Balance at 30 June 2021		**25,775,278**	**4,517,002**	**73,017**	**688,123**	**(26,414,781)**	**4,638,639**	**363,485**	**5,002,124**

	Note	Share capital $	Share option reserve $	Foreign currency translation reserve $	Other reserves $	Retained losses $	Total $	Non-controlling interest $	Total equity $
Balance at 1 July 2019		16,261,495	2,584,528	(1,729)	-	(13,485,660)	5,358,634	-	5,358,634
Initial application of AASB 16		-	-	-	-	(29,199)	(29,199)	-	(29,199)
Adjusted balance at 1 July 2019		**16,261,495**	**2,584,528**	**(1,729)**	**-**	**(13,514,859)**	**5,329,435**	**-**	**5,329,435**
Loss after tax		-	-	-	-	(7,074,479)	(7,074,479)	-	(7,074,479)
Other comprehensive income		-	-	8,853	-	-	8,853	-	8,853
Total comprehensive loss		-	-	8,853	-	(7,074,479)	(7,065,626)	-	(7,065,626)
Issue of ordinary share capital	19	1,908,158	-	-	-	-	1,908,158	-	1,908,158
Costs of equity raising	19	(239,548)	-	-	-	-	(239,548)	-	(239,548)
Equity-settled share based payments	29	-	1,125,708	-	-	-	1,125,708	-	1,125,708
Balance at 30 June 2020		**17,930,105**	**3,710,236**	**7,124**	**-**	**(20,589,338)**	**1,058,127**	**-**	**1,058,127**

Consolidated Statement of Cash Flows

	Note	30 June 2021 $	30 June 2020 $
Cash flows from operating activities			
Receipts from customers		1,395,598	1,093,022
Receipts from government grants and tax incentives		1,192,781	1,509,266
Payments to suppliers and employees		(7,348,417)	(7,269,044)
Cash flows utilised in operations		**(4,760,038)**	**(4,666,756)**
Interest received		3,193	15,019
Interest and other costs of finance paid		(2,769)	(5,866)
Total cash flows from operating activities	22	**(4,759,614)**	**(4,657,603)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(45,136)	(18,608)
Proceeds from disposal of property, plant and equipment		-	1,840
Acquisition of intangible assets		-	(62,112)
Other investing cash flows		-	12,830
Total cash flows from investing activities		**(45,136)**	**(66,050)**
Cash flows from financing activities			
Proceeds from the issue of shares		8,923,237	1,758,158
Transaction costs related to the issue of shares		(341,405)	(464,722)
Proceeds from borrowings		-	850,000
Repayment of borrowings		(600,000)	-
Lease payments		(125,649)	(95,710)
Transaction costs related to borrowings and leases		(61,687)	(30,913)
Other financing cash flows		100,000	-
Total cash flows from financing activities		**7,894,496**	**2,016,813**

	Note	30 June 2021 $	30 June 2020 $
Net increase / (decrease) in cash held		**3,089,746**	**(2,706,840)**
Opening cash balance		1,411,309	4,120,380
Effect of movement in exchange rates		(11,744)	(2,231)
Closing cash balance	13	**4,489,311**	**1,411,309**

Notes to the Consolidated Financial Statements

1. Reporting entity

Identitii Limited (the Company) is a Company incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange (ASX:ID8). The registered office and principal place of business is Level 2, 129 Cathedral Street, Woolloomooloo, NSW 2011.

These consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Identitii Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended. Identitii Limited and its subsidiaries together are referred to in these financial statements as the Group.

The Group is a for profit entity and is primarily involved in developing and licensing enterprise software for regulated entities. Its main product Overlay+ is a platform that helps reduce regulatory risk, without replacing technology systems.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2021.

2. Basis of preparation

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

Details of the Group's accounting policies are included in Note 6.

Going concern

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and assumes the Group will have sufficient cash resources to pay its debts as and when they become due and payable for at least 12 months from the date of signing the financial report.

The statement of profit or loss and other comprehensive income for the year ended 30 June 2021 reflects a loss for the year of $5,873,875 and total cash outflows from operating activities of $4,759,614.

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

- The Group has $4,489,311 in cash and cash equivalents as at the balance date;
- The Group successfully raised $8.9 million in funding during the year ended 30 June 2021 and is evaluating plans to secure additional funding later in the calendar year;
- The Group has the ability to scale back a significant portion of its expenditure if required; and
- the Company signed a Master Service Agreement with Mastercard during the year, extended its contract with HSBC for a further three years and has other potential customer engagements in the pipeline.

Consequently, the Directors have concluded there are reasonable grounds to believe that the Group will continue to be able to pay its debts as and when they become due and payable for a period of no less than 12 months from the date of signing this financial report and that the preparation of the 30 June 2021 financial report on a going concern basis is appropriate.

3. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Group's functional currency. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest Australian dollar, unless otherwise stated.

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events that management believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) *Judgements*

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

COVID-19 pandemic – judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the services offered, customers, staffing and geographic regions in which the Group operates; and

Note 8 – revenue recognition: whether revenue from licence fees is recognised over time or at a point in time.

b) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

The measurement and realisation of the R&D tax incentive: determining the percentage of expenditure that is directly attributable to eligible R&D activities when measuring the R&D tax incentive. Uncertainty exists over the quantum and timing of realisation of the R&D tax incentive claim until such time as the claim has been examined and accepted by the Australian Tax Office (ATO);

Note 11 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can and cannot be utilised; and

Note 29 – share based payments: key assumptions in determining the valuation of share based payment transactions on grant date. Key assumptions include expected expiry dates, volatility rates and likelihood of vesting.

5. New or amended accounting standards and interpretations

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted in preparing these consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 April 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- *AASB 2021-03 Amendments to Covid-19 Related Rent Concessions beyond 30 June 2021;*
- *AASB 2020-8 Amendments to Interest Rate Benchmark Reform;*
- *AASB 2014-10 Amendments to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- *AASB 2020-1 Amendments to Classification of Liabilities as Current or Non-Current;*
- *AASB 2020-3 Amendments to Annual Improvements 2018-2020 and Other Amendments;*
- *AASB 2021-2 Amendments to Disclosure of Accounting Policies and Definition of Accounting Estimates;*
- *AASB 17 Insurance Contracts.*

6. Significant accounting policies

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Identitii Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended. Identitii Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the subsidiaries are attributed to the non-controlling interest in full, even if that results in a deficit balance.

6. Significant accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within general expenses.

c) Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 8.

d) Research and development tax incentive

The R&D tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset (or a cash refund if in a tax loss position) for eligible R&D activities. The Group recognises the R&D tax incentive in profit or loss when the Group incurs the eligible R&D expenditure. The R&D tax incentive income is presented on a gross basis and is not netted off against the R&D costs to which it relates.

e) Government grants

The Group recognises an unconditional government grant in profit or loss when the grant becomes receivable. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. The grants are recognised on a gross basis in income and are not netted off against the expenditure to which it relates.

Refer to Note 9 for further details.

f) Employee benefits

Short-term employee benefits

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

6. Significant accounting policies (continued)

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, they are discounted.

Share based payment arrangements

Equity-settled share based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost is measured at fair value on grant date using a suitable option pricing model such as Black Scholes, Binomial or Monte Carlo. The grant date fair value of equity settled share based payment arrangements is recognised as an expense, with a corresponding increase in equity over the vesting period of the award. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes. Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

g) *Income tax*

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to incomes taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

6. Significant accounting policies (continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, the future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that is has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

h) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Significant accounting policies (continued)

j) <u>Trade and other receivables</u>

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 45 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

k) <u>Contract assets</u>

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

l) <u>Property, plant and equipment</u>

Recognition and measurement

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

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	2021	2020
Right-of-use asset	3 years	6 years
Office fit out	3 years	6 years
Computer equipment	3 years	3 years
Office equipment	5 years	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6. Significant accounting policies (continued)

m) Intangible assets

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

The estimated useful lives of intangible assets for current and comparative periods are as follows:

	2021	2020
Acquired software	1 year	1 year

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

o) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

p) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

q) Leases

The Group adopted AASB 16 from 1 July 2019 applying the modified retrospective approach, under which the cumulative effect of initial application was recognised in retained earnings at 1 July 2019. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

For classification within the statement of cash flows, the interest and the principal portion of the lease payments are disclosed in financing activities.

For lessor accounting, the standard did not substantially change how a lessor accounts for leases.

6. Significant accounting policies (continued)

Right-of-use assets

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

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised as the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise of:

- fixed payments less any lease incentive receivables;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees; and
- the exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

Short-term leases and low-value assets

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

r) *Financial instruments*

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6. Significant accounting policies (continued)

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value in other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets primarily to collect contractual cash flows; and
- Its contractual term gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test).

The Group does not have any debt or equity investments that are classified and measured at FVOCI. Therefore, all financial assets that do not meet the classification requirements for amortised cost are classified and measured at FVTPL.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued contractual interest is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

6. Significant accounting policies (continued)

Financial assets – subsequent measurement and gains and losses

Type of financial asset	
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group also derecognises a financial asset when its terms are modified and the cash flows associated with the modified asset are substantially different, in which case a new financial asset based on the modified terms is recognised at fair value.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

6. Significant accounting policies (continued)

s) *Impairment*

A. Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- contract assets

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets (excluding trade receivables) that are determined to have low credit risk at the reporting date; and
- other financial assets and bank balances for which credit risk (ie. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs and are calculated using a provision matrix under the simplified approach.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward looking information and the use of macro-economic factors.

The Group assumes that the credit risk on a financial asset has increased if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if held); or
- the financial asset is more that 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the asset.

6. Significant accounting policies (continued)

ECLs for trade receivables and contract assets are calculated using a provision matrix based on historical default rates adjusted for current and forecast credit conditions including other business, financial and economic factors such as geographical region and external credit rating.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following:

- significant financial difficulty of the borrower;
- a breach of contract such as default or being more that 90 days past due;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

There have been no changes in estimation techniques or significant assumptions made during the year.

Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write off based on whether there is reasonable expectation of recovery. The Group expects no significant recovery for the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

B. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6. Significant accounting policies (continued)

t) Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with AASB 112.

u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

v) Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes in Accounting Policy.

w) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price ie. the fair value of the consideration given or received.

If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

7. Operating segments

An operating segment is a component of the Group

- that engages in business activities from which it may earn revenues and incur expenses (including revenue and expenses relating to transactions with the Group's other components), and
- whose operating results are reviewed regularly by the Group's chief operating decision maker for the purpose of making decisions about allocating resources to the segment and assessing its performance.

The Group currently has one reportable segment, which develops and licenses enterprise software for regulated entities. The revenues and profits generated by the Group's operating segment and segment assets are summarised below:

	Enterprise Software Development and Licensing	
For the year ended 30 June	**2021 $**	**2020 $**
Sales to external customers	1,364,197	941,592
Other revenue and income	1,335,981	1,104,920
Total segment revenue and income	2,700,178	2,046,512
Unallocated revenue:		
Interest revenue	1,823	14,396
Total revenue and other income	**2,702,001**	**2,060,908**
EBITDA	**(5,422,756)**	**(6,897,021)**
Depreciation and amortisation	(406,185)	(121,759)
Interest revenue	1,823	14,396
Interest expense	(46,757)	(70,095)
Loss before income tax	(5,873,875)	(7,074,479)
Income tax expense	-	-
Loss for the year	**(5,873,875)**	**(7,074,479)**
Segment assets	**5,960,823**	**3,362,622**
Segment liabilities	**958,699**	**2,304,495**

7. Operating segments (continued)

Geographic information

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

Revenue from contracts with customers	30 June 2021 $	30 June 2020 $
Asia	505,989	578,592
Australia	341,625	363,000
United States of America	516,583	-
	1,364,197	**941,592**

Revenue is based on the location of the customer. Refer to Note 8 for further detail on major customers, products and services.

Location of non-current assets	30 June 2021 $	30 June 2020 $
Australia	158,542	914,387
Other	-	-
	158,542	**914,387**

Non-current assets include intangible, property, plant and equipment and leased assets.

8. Revenue

The Group generates revenue primarily from the licensing of enterprise software and the provision of professional and maintenance services to its customers.

a) *Performance obligations and revenue recognition policies*

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

The contracts also facilitate the provision of certain software, training, maintenance, customisation and configuration or other services from the Group in consideration for the payment of fees. The customer is granted, for the term of each contract, a non-exclusive, perpetual, irrevocable and royalty-free licence to use the software in a specific use case. The Group retains all rights, title and interest in the intellectual property of the software.

8. Revenue (continued)

The Group is currently recognising revenue under these contracts for licence fees, maintenance fees, usage fees and professional services, each regarded as a separate performance obligation. Revenue is measured based on the consideration specified in the contract and is recognised when the Group transfers control over the product or service to the customer. Charges are determined by a number of factors including transaction volume, customisation requirements, ongoing support and maintenance and new feature releases. Pricing changes for each renewal term are to be mutually agreed in writing.

The following table provides information about the nature and timing of the satisfaction of performance obligations in its contracts with customers including the related revenue recognition policies.

Product and services	Nature and timing of satisfaction of performance obligations
Licence fees	The contracts require the Group to undertake maintenance and software enhancement activities throughout the licence period that significantly affects the intellectual property (IP) to which the customers have rights. The nature of the Group's performance obligation in granting a licence is regarded as a right to access the IP and thus the Group recognises licence fee revenue over time. Licence fee revenue is recognised in equal monthly instalments from the date the licence is first transferred and for the term of the contract. The licence fee is a fixed annual fee as specified in the contract. There remains $627,502 in relation to contracted licence fees for which no revenue or deferred revenue has been recognised as the performance obligations have not been met as at 30 June 2021.
Maintenance fees	Maintenance (software, equipment and hosted services maintenance) is to be provided to customers on an ongoing basis from the date the licence is first transferred and throughout the term of the contract. The maintenance fee is a fixed annual fee as specified in the contract. Under AASB 15, the performance obligation to provide maintenance services is first met upon transfer of the licence and is ongoing throughout the term of the contract. The total maintenance fee revenue to be billed under the contract is recognised in equal monthly instalments over time from the date the licence is first transferred. There remains $55,364 in relation to contracted maintenance fees for which no revenue or deferred revenue has been recognised as the performance obligations have not been met as at 30 June 2021.

8. Revenue (continued)

Product and services	Nature and timing of satisfaction of performance obligations
Usage fees	Usage fee revenue is determined by the number of successful transactions (as defined in the contract) and is based on information provided to the Group by the customer. Usage fees are recognised only when the later of the usage occurs and the licence fee obligation has been satisfied. Usage fees are variable fees and may be subject to an annual cap as specified in the contract. The Group recognises usage fee revenue over time based on when the usage occurs.
Professional services (including setup, training and other support costs)	Professional services include setup, training and support costs as well as individual customisation projects that are separate and distinct performance obligations. The Group recognises revenue at a point in time based on time and materials incurred in delivering the product and services to its customers as per the terms and prices specified in the contract. Invoices are generated on confirmation of product and service delivery and revenue is recognised at that point in time. There remains $341,709 in relation to contracted professional services for which no revenue or deferred revenue has been recognised as the performance obligations have not been met as at 30 June 2021.

Where revenue is billed in advance, a contract liability is recognised and amortised over the period of the invoice. Where revenue is billed in arrears, a contract asset is recognised at the time of revenue recognition and transferred to trade receivables when the invoice is generated.

Warranties, returns and refunds

The warranty period will run from the licence start date and over a specified period of time. Under the warranty period the Group undertakes that the product and services supplied are of satisfactory quality and fit for purpose, free from defects in design, operate in accordance with the contract and that appropriate master copies are maintained by the Group.

In the event of an unresolved third party intellectual property rights claim, customers may elect to return all deliverables under the contract and be refunded in full for all charges paid by the customer to date. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Due to the absence of any third party intellectual property rights claims during the current and prior period, no adjustment has been made to revenue recognised during the period for expected returns.

Customers may terminate or partially terminate the contract by written notice to the Group. Customers shall be entitled to a pro-rata refund of fees paid in advance of the termination date unless termination by the customer is for no reason. Due to the absence of any such written notices to the Group during the current and prior period, no adjustment has been made to revenue recognised during the period for expected refunds on termination.

8. Revenue (continued)

b) Disaggregation of revenue

In the following table, revenue is disaggregated by nature of product and service and is done so in conjunction with the Group's reporting segment.

	Enterprise Software Development and Licensing	
For the year ended 30 June	**2021 $**	**2020 $**
Nature of product and service		
Licence and usage fees	359,206	207,553
Maintenance fees	21,303	21,069
Professional services	983,688	712,970
Revenue from contracts with customers	**1,364,197**	**941,592**

c) Contract balances

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

	30 June 2021 $	30 June 2020 $
Trade receivables	227,419	43,702
Contract assets	26,400	66,500
Contract liabilities	(179,650)	(44,545)

Reconciliation of the written down values of contract assets and contract liabilities at the beginning and end of the current and prior financial year are set out below:

Contract assets	**30 June 2021 $**	**30 June 2020 $**
Opening balance 1 July	66,500	-
Additions	153,400	66,500
Transfer to trade receivables	(193,500)	-
Closing balance 30 June	**26,400**	**66,500**

8. Revenue (continued)

Contract liabilities	30 June 2021 $	30 June 2020 $
Opening balance 1 July	44,545	34,425
Payments received in advance	550,533	87,941
Transfer to revenue – in opening balance	(44,545)	(34,425)
Transfer to revenue – other balances	(370,883)	(43,396)
Closing balance 30 June	**179,650**	**44,545**

No information has been provided about remaining performance obligations at 30 June 2021 that have an original expected duration of one year or less, as allowed by AASB 15.

9. Government grants

	30 June 2021 $	30 June 2020 $
Export market development grant	100,000	150,000
COVID-19 related grants	317,936	214,539
	417,936	**364,539**

The Export Market Development Grant (EMDG) scheme is a key Australian Government financial assistance program that encourages small to medium sized Australian businesses to develop export markets by granting funding to cover eligible export expenditure, up to a maximum claim of $150,000. The Group recognises the EMDG in profit or loss when the application is successful and the Group receives an unconditional right to the income.

COVID-19 related grants were temporary subsidies for businesses affected by COVID-19 and consisted mostly of the JobKeeper and Cash Flow Boost payment schemes. Both schemes have closed as at the date of this report.

- Under the JobKeeper scheme, eligible employers could apply to receive up to $1,500 per eligible employee per fortnight. The Group recognised the JobKeeper payments in profit or loss when the related salaries were paid to eligible employees. The Company was eligible for JobKeeper up to 31 December 2020.
- Under the Cash Flow Boost payment scheme, eligible businesses who employed staff received a cash flow boost in the form of a credit when lodging their activity statements. This was to cover the tax withheld from salaries paid to employees for the period covered by the activity statement. The Group recognised the Cash Flow Boost in profit or loss when the activity statement was lodged.

10. Reassessment of lease terms

a) Leases

The Group leases office space in Australia over an initial term of three years with an option to extend for a further three years. The lease has an escalation clause to account for inflation over time and, on renewal, the terms of the lease will be renegotiated. On initial application of *AASB 16: Leases* on 1 July 2019, the lease liability and right-of-use asset in relation to this office lease were calculated using a six year lease term as it was assumed the option to extend would be exercised.

Due to a change in circumstances, the Group has decided not to exercise its option to extend the lease. The current lease will expire in August 2021, following which it will default to a monthly term with either party giving 3 months' notice to terminate. This reassessment of the lease term has resulted in a remeasurement of the lease liability and right-of-use asset with the following impact on the financial statements for the year ended 30 June 2021:

	30 June 2021 $
Decrease in lease liability	459,651
Decrease in right-of-use asset	(387,646)
Gain on lease modification	(72,005)

b) Office fit out

In line with the above, the Group reassessed the useful life of the office fit out asset from six years to three years to align with the end of the current lease in August 2021. This is treated as a change in accounting estimate and has resulted in an acceleration of office fit out depreciation in the current year of $184,454 as follows:

	30 June 2021 $
Office fit out depreciation for the year – six years useful life	58,664
Office fit out depreciation for the year – three years useful life	243,118
Acceleration of depreciation during the year	184,454

11. Income tax expense

a) Amounts recognised in profit or loss

	30 June 2021 $	30 June 2020 $
Current tax expense		
Current year	-	-
Tax expense	**-**	**-**

11. Income tax expense (continued)

b) Reconciliation of accounting loss to taxable loss

	30 June 2021 $	30 June 2020 $
Loss before tax	(5,873,875)	(7,074,479)
Adjustments to accounting loss		
Non-deductible expenses	3,063,404	2,477,939
Tax exempt income	(1,053,724)	(740,381)
Taxable loss	**(3,864,195)**	**(5,336,921)**
Tax expense	**-**	**-**

The Group is in a net tax loss position and does not recognise a deferred tax asset.

c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	30 June 2021		30 June 2020	
	Gross amount $	Tax effect $	Gross amount $	Tax effect $
Tax losses	12,489,797	3,434,694	9,370,574	2,422,019

12. Loss per share

The calculation of basic and diluted loss per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	30 June 2021 $	30 June 2020 $
Loss for the year attributable to owners of Identitii Limited	(5,825,443)	(7,074,479)
Weighted-average number of ordinary shares		
Issued ordinary shares at 1 July	81,778,198	54,518,799
Effect of shares issued during the year	48,799,915	3,575,003
Weighted-average number of ordinary shares at 30 June	130,578,113	58,093,802
Basic and diluted loss per share (cents)	**(4.46)**	**(12.18)**

12. Loss per share (continued)

Share based payment options have not been included in the calculation of diluted loss per share as these are considered anti-dilutive as at 30 June 2021 and 30 June 2020.

13. Cash and cash equivalents

	30 June 2021 $	30 June 2020 $
Bank balances	4,415,466	1,337,464
Term deposits	73,845	73,845
	4,489,311	**1,411,309**

14. Intangible assets

	30 June 2021 $	30 June 2020 $
Software – at cost	62,112	62,112
Less: Accumulated amortisation	(5,106)	-
	57,006	**62,112**

<u>Reconciliation of carrying amount</u>

	Software $
Balance at 1 July 2019	62,112
Amortisation expense	-
Balance at 30 June 2020	62,112
Amortisation expense	(5,106)
Balance at 30 June 2021	**57,006**

15. Property, plant and equipment

Reconciliation of carrying amount

	Right-of-use asset $	Office fit out $	Computer equipment $	Office equipment $	Total $
Cost					
Balance at 1 July 2019	-	351,024	83,461	41,935	476,420
Initial application of AASB 16	774,563	-	-	-	774,563
Adjusted balance at 1 July 2019	774,563	351,024	83,461	41,935	1,250,983
Additions	-	-	18,608	-	18,608
Disposals	-	-	(1,879)	(2,636)	(4,515)
Balance at 30 June 2020	**774,563**	**351,024**	**100,190**	**39,299**	**1,265,076**
Balance at 1 July 2020	774,563	351,024	100,190	39,299	1,265,076
Modification of lease	(396,024)	-	-	-	(396,024)
Additions	-	-	49,330	-	49,330
Disposals	-	-	(3,999)	-	(3,999)
Balance at 30 June 2021	**378,539**	**351,024**	**145,521**	**39,299**	**914,383**

Accumulated depreciation					
Balance at 1 July 2019	-	38,765	25,053	4,766	68,584
Initial application of AASB 16	118,336	-	-	-	118,336
Adjusted balance at 1 July 2019	118,336	38,765	25,053	4,766	186,920
Depreciation	129,080	58,504	31,291	8,100	226,975
Disposals	-	-	(568)	(526)	(1,094)
Balance at 30 June 2020	**247,416**	**97,269**	**55,776**	**12,340**	**412,801**
Balance at 1 July 2020	247,416	97,269	55,776	12,340	412,801
Modification of lease	(8,378)	-	-	-	(8,378)
Depreciation	128,986	243,118	31,623	7,834	411,561
Disposals	-	-	(3,137)	-	(3,137)
Balance at 30 June 2021	**368,024**	**340,387**	**84,262**	**20,174**	**812,847**

15. Property, plant and equipment (continued)

	Right-of-use asset $	Office fit out $	Computer equipment $	Office equipment $	Total $
Carrying amounts					
At 1 July 2019	-	312,259	58,408	37,169	407,836
Balance at 30 June 2020	**527,147**	**253,755**	**44,414**	**26,959**	**852,275**
Balance at 30 June 2021	**10,515**	**10,637**	**61,259**	**19,125**	**101,536**

The Group reassessed its office lease term from six to three years during the year, resulting in a decrease in carrying amount of the right-of-use asset by $387,646. Similarly, the Group reassessed the useful life of the office fit out asset from six years to three years resulting in an acceleration of depreciation in the current year. Refer to Note 10 for further details.

The Group leases office space in Hong Kong under agreement for six months with an option to extend. As this lease is short-term and of low value, it has been expensed as incurred during the year and not capitalised to right-of-use assets.

16. Trade and other payables

	30 June 2021 $	30 June 2020 $
Trade payables	103,887	142,519
Other payables and accruals	167,222	125,215
	271,109	**267,734**

17. Employee provisions

	30 June 2021 $	30 June 2020 $
Provision for annual leave	238,767	146,631
Superannuation payable	95,906	64,244
Employee taxes withheld	140,228	132,007
ATO debt payable	-	325,586
	474,901	**668,468**

17. Employee provisions (continued)

Amounts not expected to be settled within the next 12 months

The provision for annual leave includes all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

18. Borrowings and lease liabilities

	30 June 2021 $	30 June 2020 $
Current liabilities		
Borrowings (a)	20,000	722,500
Lease liabilities (b)	13,039	126,430
	33,039	**848,930**
Non-current liabilities		
Lease liabilities (b)	-	474,818
	33,039	**1,323,748**

a) *Borrowings*

Borrowings at the end of the year were as follows:

	30 June 2021 $	30 June 2020 $
Director loan - John Rayment	20,000	100,000
R&D finance loan – Radium Capital	-	622,500
	20,000	**722,500**

On 17 March 2020 the Group received a loan of $100,000 from John Rayment. This loan is for 12 months, interest free and will convert to equity at $0.07 per share as approved by shareholders. On 17 November 2020 the Company issued 1,142,857 shares to John Rayment in partial settlement of this loan, leaving a remaining loan balance of $20,000 as at 30 June 2021. Subsequent to year end, a further 285,714 shares were issued to John Rayment in full and final settlement of his loan.

On 1 April 2020 the Group received a $600,000 loan facility with Radium Capital that was secured against the R&D tax incentive cash refund expected to be received in relation to eligible R&D expenditure incurred. The interest rate on the loan principal was 1.25% per month. This loan was settled in full on 29 July 2020.

18. Borrowings and lease liabilities (continued)

b) *Lease liabilities*

Lease liabilities are recognised on transition to AASB 16 Leases. The Group reassessed its office lease term from six to three years during the year, resulting in a decrease in carrying amount of the lease liability by $459,651. Refer to Note 10 for further details.

Lease liabilities are payable as follows:

	Future minimum lease payments	**Interest**	**Present value of future minimum lease payments**
For the year ended 30 June ($)	**2021**	**2021**	**2021**
Less than one year	13,106	67	13,039
Between one and five years	-	-	-
	13,106	**67**	**13,039**

c) *Terms and repayment schedule*

The terms and conditions of outstanding borrowings and lease liabilities are as follows:

			30 June 2021		**30 June 2020**	
	Nominal interest rate p.a	**Year of maturity**	**Face value $**	**Carrying amount $**	**Face value $**	**Carrying amount $**
Director loan - unsecured	0%	2021	20,000	20,000	100,000	100,000
R&D finance loan - secured	15%	2020	-	-	600,000	622,500
Lease liabilities	6%	2021	378,539	13,039	774,563	601,248
Total liabilities			**398,539**	**33,039**	**1,474,563**	**1,323,748**

18. Borrowings and lease liabilities (continued)

d) *Reconciliation of movements in borrowings and lease liabilities to cash flows arising from financing activities*

	2021 $	2020 $
Balance at 1 July	1,323,748	30,253
Initial application of AASB 16	-	685,426
Restated balance at 1 July	**1,323,748**	**715,679**
Changes from financing cash flows		
Proceeds from borrowings	-	850,000
Repayment of borrowings	(600,000)	-
Lease payments	(125,649)	(95,710)
Transaction costs related to borrowings and leases	(61,687)	(30,913)
Other financing cash flows	100,000	-
Total changes from financing cash flows	**(687,336)**	**723,377**
Other changes		
Finance costs	36,278	22,500
Conversion of borrowings to equity	(180,000)	(150,000)
Lease modification	(459,651)	-
Movements in lease liability not yet paid	-	12,192
Balance at 30 June	**33,039**	**1,323,748**

19. Share capital

	Ordinary shares			
	30 June 2021		30 June 2020	
	$	Number of shares	$	Number of shares
In issue at beginning of the year	17,930,105	81,778,198	16,261,495	54,518,799
Issued for cash, net of costs of equity – entitlement offer	1,832,720	27,259,400	1,668,610	27,259,399
Issued in settlement of Director loan	80,000	1,142,857	-	-
Issued for cash, net of costs of equity – placement	3,903,426	27,500,000	-	-
Issued for cash, net of costs of equity – share purchase plan	1,978,750	13,698,630	-	-
Issued not for cash – consideration for marketing services	50,277	411,986	-	-
In issue at end of the year – authorised, fully paid and no par value	**25,775,278**	**151,791,071**	**17,930,105**	**81,778,198**

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

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

Issue of ordinary shares

On 24 July 2020, as part of the entitlement issue, the Board approved the issue of 27,259,400 ordinary shares in the Company at a price of $0.07 per share.

On 17 November 2020, the Company issued 1,142,857 shares at $0.07 per share to John Rayment in partial settlement of his loan.

On 3 December 2020, as part of a placement to institutional investors, the Board approved the issue of 27,500,000 ordinary shares in the Company at a price of $0.146 per share.

On 6 January 2021, as part of a share purchase plan, the Board approved the issue of 13,698,630 ordinary shares in the Company at a price of $0.146 per share. On this same date, the Company also approved the issue of 411,986 shares at $0.146 per share, for no cash consideration, to a consultant in relation to marketing services provided to the Company.

Nature and purpose of reserves

The share option reserve comprises the cost of the Company shares issued under the Group's share based payment plans. Refer to Note 29.

19. Share capital (continued)

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

Other reserves comprises the notional equity gain on dilution of the parent entity's ownership interest in its subsidiary without a loss of control.

Dividends

No dividends were declared or paid by the Company for the current or previous year.

20. Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has a material non-controlling interest (NCI), after intra-group eliminations.

	Payble Pty Ltd	
NCI percentage	**39.9%**	**n/a**
	30 June 2021 $	**30 June 2020 $**
Current assets	925,258	-
Non-current assets	2,258	-
Current liabilities	28,926	-
Net assets	**898,590**	-
Net assets attributable to NCI	411,917	-
Loss after tax	203,116	-
Total comprehensive loss	**203,116**	-
Loss allocated to NCI	48,432	-
Other comprehensive loss allocated to NCI	48,432	-
Cash flows from operating activities	(174,868)	-
Cash flows from investing activities	(3,327)	-
Cash flows from financing activities	1,100,040	-
Net increase in cash and cash equivalents	**921,845**	**-**

20. Non-controlling interest (continued)

In April 2021, x15ventures acquired a 31.3% interest in Payble, decreasing Identitii's ownership from 87.5% to 60.1%. The carrying amount of Payble's net liabilities in the Group's consolidated financial statements on the date of x15ventures investment was $98,625.

	30 June 2021 $	30 June 2020 $
Carrying amount of NCI given	411,877	-
Consideration received	1,100,000	-
Increase in equity attributable to owners of the parent	688,123	-

21. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital.

The Group monitors capital using a ratio of net debt to equity. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. The Group's net debt to equity ratio at 30 June was as follows:

	30 June 2021 $	30 June 2020 $
Total liabilities	958,699	2,304,495
Less: Cash and cash equivalents	4,489,311	1,411,309
Net (assets) / debt	(3,530,612)	893,186
Equity	5,002,124	1,058,127
Net debt to equity ratio	**n/a**	**0.84**

22. Reconciliation of cash flows from operating activities

	30 June 2021 $	30 June 2020 $
Loss for the year	**(5,873,875)**	**(7,074,479)**
Adjustments for:		
Other income – rent relief	(12,726)	-
Equity settled share based payment transactions	806,766	1,125,708
Annual leave provision	92,572	-
Depreciation and amortisation	416,667	226,975
Loss / (gain) on disposal of asset	862	(919)
Gain on lease modification	(72,005)	-
Bank revaluation and unrealised FX gains and losses	(10,151)	8,128
Interest expense and other finance costs	43,988	59,589
Capital raise transaction costs	123,231	236,392
Non-cash lease movements	-	(24,897)
Bad and doubtful debts	2,530	(2,291)
Equity settled consulting fees	50,277	-
Related party loans written off	-	10,320
Other non-cash generating expenses	3,381	(309)
	(4,428,483)	(5,435,783)
Changes in:		
Trade and other receivables	(151,206)	149,029
R&D tax receivable	(164,938)	465,534
Contract assets	40,100	(66,500)
Trade and other payables	3,375	(126,407)
Employee provisions	(193,567)	346,404
Contract liabilities	135,105	10,120
Net cash from operating activities	**(4,759,614)**	**(4,657,603)**

23. Financial instruments – fair values and risk management

i. Accounting classifications and fair values

The carrying amount of the Group's financial assets and financial liabilities is a reasonable approximation of fair value due to their short term nature.

ii. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk (see ii (b))
- liquidity risk (see ii (c))
- foreign currency risk (see ii (d))

a) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The carrying amount of financial assets and contract assets represents the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

	30 June 2021 $	30 June 2020 $
Increase / (decrease) in impairment loss on trade receivables and contract assets arising from contracts with customers	2,530	(2,291)

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the factors that may influence the credit risk of its customer base including the default risk associated with the industry and country in which the customers operate.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 45 days for corporate customers.

Expected credit loss assessment for corporate customers

The Group uses a provision matrix to measure ECLs of trade receivables from corporate customers, which comprise of a small number of large balances.

23. Financial instruments – fair values and risk management (continued)

The Group is still in its early stages of revenue generation with a small customer base and therefore doesn't have extensive historical information on which to base its loss rates. Its loss rates are management's best estimate based on industry comparatives and will be updated at every reporting period to reflect current and forecast credit conditions including other business, financial and economic factors. Loss rates are determined separately for each credit risk grade, based on external credit rating definitions from a reputable credit rating agency. To date no customer balances have been written off or credit impaired at the reporting date.

The following tables provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 30 June 2021.

30 June 2021	**External credit rating**	**Weighted average loss rate**	**Credit impaired**	**Gross carrying amount $**	**Impairment loss allowance $**
Not past due	BBB- to AAA	0.1%	No	125,179	125
0 - 30 days	BBB- to AAA	0.5%	No	27,814	139
61 - 180 days	BBB- to AAA	3.0%	No	77,000	2,310
				229,993	**2,574**

30 June 2020	**External credit rating**	**Weighted average loss rate**	**Credit impaired**	**Gross carrying amount $**	**Impairment loss allowance $**
Not past due	BBB- to AAA	0.1%	No	43,746	44
				43,476	**44**

Cash and cash equivalents and other receivables

The Group held cash and cash equivalents of $4,489,311 at 30 June 2021 (30 June 2020: $1,411,309). The majority of cash and cash equivalents are held with financial institution counterparties, which are rated A- to AA, based on credit agency ratings. The Group considers its cash and cash equivalents to have low credit risk based on the external credit ratings of the counterparties.

The Group held other receivables of $153,831 at 30 June 2021 (30 June 2020: $186,343). The Group considers its other receivables to have low credit risk based on historical data available, the reputation of the counterparties and the systematic ease with which the receivables are recoverable.

The Group did not recognise an impairment allowance for cash and cash equivalents and other receivables during the current and prior year under review.

23. Financial instruments – fair values and risk management (continued)

Movements in the allowance for impairment in respect of trade receivables, contract assets and other financial assets

The movement in the allowance for impairment in respect of trade receivables, contract assets and other financial assets during the year was as follows.

	30 June 2021 $	30 June 2020 $
Balance at 1 July	44	2,335
Net remeasurement of loss allowance	2,530	(2,291)
Balance at 30 June	**2,574**	**44**

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate, but manageable, borrowing facilities are maintained. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted and include contractual interest payments where applicable.

		Contractual cash flows			
30 June 2021	Carrying amount $	Total $	2 months or less $	2-12 months $	12 months or more $
Borrowings and leases	33,039	(33,039)	(33,039)	-	-
Trade and other payables	271,109	(271,109)	(271,109)	-	-
	304,148	**(304,148)**	**(304,148)**	**-**	**-**

23. Financial instruments – fair values and risk management (continued)

30 June 2020	Carrying amount $	Total $	Contractual cash flows 2 months or less $	2-12 months $	12 months or more $
Borrowings and leases	1,323,748	(1,323,748)	(20,216)	(828,714)	(474,818)
Trade and other payables	267,734	(267,734)	(267,734)	-	-
	1,591,482	**(1,591,482)**	**(287,950)**	**(828,714)**	**(474,818)**

d) <u>Foreign currency risk</u>

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group companies. The Group's exposure to foreign currency risk is concentrated primarily in trade receivables which are invoiced in United States Dollars (USD). As USD sales increase there will be a natural hedge in place as majority of Group expenditure is in Australian Dollars (AUD). Other foreign currency risk is not material at present.

Exposure to foreign currency risk

The following is the summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group:

	30 June 2021 USD	30 June 2020 USD
Trade receivables	71,088	30,000
Trade payables	(16,561)	(30,000)
Net statement of financial position exposure	**54,527**	**-**

Sensitivity analysis

If foreign exchange rates were to increase / decrease by 10 per cent from rates used to determine fair values as at the end of the reporting period, assuming all other variables that might impact fair value remain constant, then the impact on profit or loss for the year would be as follows:

Impact on profit after tax	30 June 2021 $	30 June 2020 $
10% increase in USD/AUD exchange rate	7,239	-
10% decrease in USD/AUD exchange rate	(6,581)	-

There has been no change in assumptions or method used to determine foreign currency sensitivity from the prior year.

24. Commitments

The Group has no commitments or contingencies other than those described in Leases Note 18 (b).

25. Auditors' remuneration

During the financial year the following fees were paid or payable for services provided by RSM, the auditor of the Company, its network firms and unrelated firms:

	30 June 2021 $	30 June 2020 $
Audit and review services		
RSM (Australia)		
Audit and review of financial statements	51,500	44,000
RSM (Hong Kong)		
Audit and review of financial statements	20,989	-
	72,489	**44,000**

26. Related parties

Parent and ultimate controlling party

Identitii Limited is the parent and ultimate controlling party of the Group.

Transactions with Key Management Personnel (KMP)

a) *KMP compensation*

KMP compensation comprised the following:

Compensation by category	30 June 2021 $	30 June 2020 $
Short-term employment benefits	556,749	527,296
Post-employment benefits	34,975	30,497
Other long-term employment benefits	19,710	26,156
Termination benefits	-	25,000
Share-based payments	542,895	218,029
	1,154,329	**826,978**

Compensation of the Group's KMP includes salaries, non-cash benefits and mandatory contributions to post-employment superannuation and provident funds. Certain Directors as well as senior employees of the Group are entitled to participate in the Equity Incentive Plan.

26. Related parties (continued)

b) KMP transactions

KMP of the Company control approximately 7% of the voting shares of the Company as at 30 June 2021.

A number of KMP, or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of that entity.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances related to KMP and entities over which they have control or significant influence were as follows:

	Transaction values for year ended 30 June		Balance outstanding as at 30 June	
Transactions	**2021 $**	**2020 $**	**2021 $**	**2020 $**
Loan from Director – John Rayment	80,000	100,000	20,000	100,000

An unsecured loan with no interest and a 12 month repayment term was advanced from John Rayment to the Company in March 2020. $80,000 of this loan was converted to equity (1,142,857 shares at $0.07 per share) during the year as approved by shareholders at the AGM. Refer to Note 18 (a) for further details.

27. List of subsidiaries

The table below lists the controlled entities of the Group.

Country of incorporation	**% ownership**
Hong Kong	
Identitii Hong Kong Limited	100
Australia	
Payble Pty Ltd	60

The Company provided $69,990 (30 June 2020: $548,600) of financial support during the year to Identitii Hong Kong Limited to assist with the payment of current and ongoing general operating costs mostly in relation to salaries and employee benefit expenses.

28. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2021, the parent entity of the Group was Identitii Limited.

	30 June 2021 $	30 June 2020 $
Results of parent entity		
Total comprehensive loss for the year	(4,446,282)	(7,074,479)
Financial position for the parent entity		
Current assets	6,805,285	2,448,235
Total assets	**6,961,866**	**3,362,622**
Current liabilities	900,588	1,829,677
Total liabilities	**900,588**	**2,304,495**
Total equity of the parent entity		
Share capital	25,775,278	17,930,105
Reserves	4,517,002	3,717,360
Retained losses	(24,231,002)	(20,589,338)
Total equity	**6,061,278**	**1,058,127**

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 6.

29. Share based payment arrangements

For the year ended 30 June 2021, the Group recognised a share based payment expense of $806,766 in the statement of profit or loss (30 June 2020: $1,125,708) under the following share based payment arrangements.

		Share options			
		30 June 2021		30 June 2020	
		$	Number of options	$	Number of options
Director options	*(i)*	599,406	10,358,082	157,022	358,082
Canaccord options	*(ii)*	992,485	1,950,000	992,485	1,950,000
Gleneagle options	*(ii)*	165,740	5,000,000	165,740	5,000,000
Equity incentive plan	*(iii)*	2,759,371	18,024,417	2,394,989	4,994,738
In issue at end of year		**4,517,002**	**35,332,499**	**3,710,236**	**12,302,820**

a) *Description of share based payment arrangements*

(i) *Share options issued to Directors*

Michael Aston (equity settled)

On 28 June 2018, Michael Aston was granted 400,000 share options at an exercise price of $0.75 per share in his capacity as Director of the Company. 25% of the options vested immediately on issue with the remaining 75% to vest in equal annual tranches over two years. On termination of his employment with the Company in March 2020, 41,918 share options were forfeited with the remaining options vesting immediately.

The fair value of share options granted to Michael Aston have been measured using the Black-Scholes model. A share based payment expense of $nil in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2021.

John Rayment (equity settled)

On 21 October 2020, John Rayment was granted 8,000,000 share options at an exercise price of $0.15 per share in his capacity as Director of the Company. The share options vest in four equal instalments from grant date pending specific service, performance and market conditions being met as follows:

(a) 2,000,000 share options vest in four equal annual tranches of 500,000 options each, commencing 1 July 2021, subject to continued service with the Company;

(b) 2,000,000 share options vest when the Group records revenue of at least $5 million in the preceding twelve month period;

(c) 2,000,000 share options vest when the Group records revenue of at least $10 million in the preceding twelve month period; and

(d) 2,000,000 share options vest when the Company's closing share price on the ASX is at or above $0.46 per share for twenty consecutive trading days.

29. Share based payment arrangements (continued)

The fair value of the options (a) – (c) have been measured using a Binomial Model whilst the fair value of the options in (d) have been measured using a Monte Carlo Simulation. A share based payment expense of $442,384 in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2021.

Stephen Porges (equity settled)

On 1 February 2021, Stephen Porges was granted 2,000,000 share options at an exercise price of $0.15 per share in his capacity as Chairman of the Company. The share options were to vest in two equal instalments from grant date pending specific share price conditions being met and subject to continued employment with the Company. On termination of his employment with the Company on 3 February 2021, the share options no longer meet the vesting criteria.

A share based payment expense of $nil in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2021.

(ii) Share options issued to supplier of services

Canaccord Genuity (Australia) Limited (equity settled)

On 17 October 2018, the Company issued 1,950,000 share options to Canaccord Genuity (Australia) Limited (Canaccord) in consideration for corporate advisory services to be provided in connection with the Group's ongoing capital markets strategy. The options vested immediately and were subject to a mandatory escrow of 24 months commencing from the date of issue. The options expired on 1 July 2021.

The fair value of share options granted have been measured using the Black-Scholes model. A share based payment expense of $nil in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2021.

Gleneagle Securities (Aust) Pty Ltd (equity settled)

On 13 May 2020, the Company issued 5,000,000 share options at an exercise price of $0.10 per share to Gleneagle Securities (Aust) Pty Ltd (Gleneagle) in consideration for underwriting services provided in connection with the Group's entitlement issue. The options vested immediately and expire on 13 May 2022.

The fair value of share options granted have been measured using the Black-Scholes model. A share based payment expense of $nil in relation to these options has been recognised in the statement of profit or loss for the year ended 30 June 2021.

(iii) Equity Incentive Plan (equity settled)

On 10 January 2018 the Group established the Equity Incentive Plan (EIP). This is a long-term plan under which share options or performance rights to subscribe for shares may be offered to eligible employees and consultants as selected by the Directors at their discretion. Currently only share options have been awarded under the EIP.

Under the EIP, one share option entitles the holder to one share in the Company subject to vesting conditions such as the satisfaction of performance hurdles and/or continued employment. The Board have the discretion to settle share options with a cash equivalent payment. Participants in the EIP will not pay any consideration for the grant of the share option unless determined otherwise. Share options will not be listed and may not be transferred, assigned or otherwise dealt with unless approved by the Board.

29. Share based payment arrangements (continued)

If the employee's employment terminates before the share options have vested, the share option will lapse, unless approved otherwise by the Board. Eligible employees holding a share option pursuant to the EIP have no rights to dividends and are not entitled to vote at shareholder meetings until that share option is vested and, where required, exercised.

On 30 April 2021, the Company issued 14,100,000 share options at an exercise price of $0.15 per share to eligible employees. The share options vest in equal instalments from grant date pending specific service, performance and market conditions being met as noted in the table below.

A share based payment expense of $364,382 in relation to all EIP options has been recognised in the statement of profit or loss for the year ended 30 June 2021.

The terms and conditions of share options granted under the EIP as at 30 June 2021 are as follows:

Grant date	Number of share options issued	Forfeited	Share options on issue at 30 June 2021	Vesting conditions	Contractual life of options	Valuation Model
July 2018	1,350,000	-	**1,350,000**	3 years (1)	10 years	Black-Scholes
August 2018	1,250,000	(671,875)	**578,125**	10% upfront, 3 years (2)	10 years	Black-Scholes
October 2018 – December 2019	3,250,000	(603,708)	**2,646,292**	3 years (1)	4 years	Black-Scholes
January 2019	200,000	(100,000)	**100,000**	2 years (3)	4 years	Black-Scholes
March 2019	200,000	(200,000)	**-**	4 years (4)	5 years	Black-Scholes
April 2021 (A)	2,500,000	-	**2,500,000**	4.5 years (5)	5 years	Binomial
April 2021 (A)	9,000,000	(750,000)	**8,250,000**	4.5 years (5)	5 years	Binomial
April 2021 (B)	250,000	-	**250,000**	3.5 years (6)	5 years	Monte Carlo
April 2021 (A)	2,350,000	-	**2,350,000**	3 years (1)	5 years	Binomial
	20,350,000	(2,325,583)	**18,024,417**			

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

(2) **3 year equity incentive plan** – 10% of share options vest immediately on grant date with the remaining 90% of share options held vesting in equal annual instalments over 3 years from grant date

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

(4) **4 year equity incentive plan** – share options vest in three equal instalments from grant date pending three specific performance hurdles being met relating to product proof of value, commercialisation and go-live. Share option vesting has been estimated at 4 years

(5) **4.5 year equity incentive plan** – share options vest in various instalments from grant date pending specific revenue and share price targets being met and continuous employment with the company. Share option vesting has been estimated at 4.5 years

(6) **3.5 year equity incentive plan** – share options vest on successful deployment of a company product across multiple entities. Share option vesting has been estimated at 3.5 years

29. Share based payment arrangements (continued)

b) *Measurement of grant date fair values*

The following inputs were used in the measurement of the fair values at grant date of the share based payment awards granted during the year:

Director options: John Rayment	**(a)**	**(b)**	**(c)**	**(d)**
Number of options	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**
Fair value at grant date	$0.1319	$0.1319	$0.1319	$0.1186
Share price at grant date	$0.1950	$0.1950	$0.1950	$0.1950
Exercise price	$0.1500	$0.1500	$0.1500	$0.1500
Expected volatility [(1)]	70 – 90%	70 – 90%	70 – 90%	70 – 90%
Contractual life of options *(years)*	5	5	5	5
Expected dividends	Nil	Nil	Nil	Nil
Risk free rate [(2)]	0.32%	0.32%	0.32%	0.32%
Valuation method	Binomial	Binomial	Binomial	Monte Carlo
Expiry date	20 October 2025			

Equity incentive plan: Staff	**(A)**	**(B)**
Number of options	**13,850,000**	**250,000**
Fair value at grant date	$0.0844	$0.0716
Share price at grant date	$0.1400	$0.1400
Exercise price	$0.1500	$0.1500
Expected volatility [(1)]	70 – 90%	70 – 90%
Contractual life of options *(years)*	5	5
Expected dividends	Nil	Nil
Risk free rate [(2)]	0.67%	0.67%
Valuation method	Binomial	Monte Carlo
Expiry date	1 January 2026	

[(1)] **Expected volatility** - a measure of the amount by which a share price is expected to fluctuate during a period and is based on the historic share price volatility of the Company up to the Grant Date.

[(2)] **Risk free rate** - the yield available on Commonwealth Government bonds with a term comparable to the likely term of the options.

29. Share based payment arrangements (continued)

c) *Reconciliation of outstanding share options*

The number and weighted-average exercise price of share options under the share based payment arrangements noted above were as follows:

	Number of options 2021	Weighted average exercise price 2021	Number of options 2020	Weighted average exercise price 2020
Outstanding at 1 July	12,302,820	$0.53	8,558,334	$0.78
Forfeited during the year	(1,070,321)	$0.33	(1,255,514)	$0.75
Granted during the year	24,100,000	$0.15	5,000,000	$0.10
Outstanding at 30 June	**35,332,499**	**$0.28**	**12,302,820**	**$0.53**
Exercisable at 30 June	**11,049,165**	**$0.50**	**8,728,071**	**$0.44**

30. Fair value measurements

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

31. Subsequent events

Following the results of a General Meeting held on 6 July 2021 the Company issued 285,714 shares at $0.07 per share to John Rayment in full and final settlement of his loan. Furthermore, 1,000,000 share options with an exercise price of $0.25 were issued to both Steven James and Nicholas Armstrong in their capacity as Non-Executive Directors of the Company. These share options vest over three years pending continued employment and expire on 8 July 2024.

On 30 July 2021, the Group announced it had signed a three-year licence agreement with Novatti Group Limited worth $0.2 million. The licence is for the Group's new Software as a Service (SaaS) version of Overlay+.

The impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Directors' Declaration

1. In the opinion of the Directors of Identitii Limited ('the Company'):
    a. the consolidated financial statements and notes that are set out on pages 23 to 74 are in accordance with the *Corporations Act 2001*, including:
        i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
        ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
    b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.

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

Steven James
Chairman

Sydney
26 August 2021

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INDEPENDENT AUDITOR'S REPORT
To the Members of Identitii Limited

Opinion

We have audited the financial report of Identitii Limited (the Company) and its controlled entity (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 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 Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

RSM

Key Audit Matter	How our audit addressed this matter
Share-based payments – Refer to Note 29 in the financial statements.	
The Group recognised a share-based payment expense of $806,766 in the statement of profit or loss for the year ended 30 June 2021 under various share based payment arrangements. Management has accounted for these arrangements in accordance with AASB 2 Share-Based Payments. Accounting for share-based payments and share option reserves are considered as key audit matters due to the following: • Accounting for share-based payments is non-routine and complex. • There is significant judgement in relation to the inputs into the valuation models, including the likelihood of vesting conditions and performance hurdles being met, and the appropriate valuation methodology to apply. • Management engaged a third party expert for the valuation process.	Our audit procedures in relation to the share-based payments included the following: • Making enquiries of management about the nature of and the rationale behind the instruments issued; • Reviewing the terms and conditions of the instruments issued; • Reviewing managements expert's valuation report, giving due consideration to their independence and capability; • Reviewing the valuation methodology to ensure it is in compliance with AASB 2; • Verifying the mathematical accuracy of the underlying model; • Reviewing the inputs to the valuation model for reasonableness; • Critically evaluating the key assumptions used, considering the market, the grant date share price and current date share price, the expected volatility in the share price, the vesting period, and the number of instruments expected to vest; • Recalculating the value of the share-based payment expense to be recognised and the reserve balance, for accuracy, factoring in any cancellations, modifications, expiry, or vesting; and • Reviewing the adequacy of the relevant disclosures, including the disclosures in respect of judgements made, in the financial statements.

Key Audit Matter	How our audit addressed this matter
Payble ownership restructure (Intellectual property (IP) transfer and SAFE note conversion) – Refer to Note 20 in the financial statements.	
During the year, Identitii Limited founded a new subsidiary Payble Pty Ltd (Payble) in conjunction with Elliott Donazzan. Subsequent to incorporation, CBA New Digital Businesses Pty Ltd (x15ventures) invested $1m in Payble to acquire a minority ownership stake and to assist in accelerating its growth plans. Identitii Limited continues to hold a 60% majority shareholding as at 30 June 2021. We identified the formation of the new subsidiary and the resultant minority investment as a key audit matter due to the following: • It is as significant transaction that occurred during the period, and their judgement involved in applying the requirements of AASB 10 Consolidated Financial Statements in relation to quantification and accounting in relation to the minority interest and incoming equity. • There is a risk that the transfer of the IP from parent to subsidiary was not correctly effected given the transactions were between related group companies.	Our audit procedures in relation to the Payble ownership structure included the following: • Reviewing the various agreements and to understand the transactions, the consideration received and the related accounting considerations; • Reviewing the Company's accounting treatment in relation to the incoming investment and resultant non-controlling interest to ensure compliance with AASB 10 Consolidated Financial Statements; • Assessing the compliance of the financial presentation and disclosures with the requirements of Australian Accounting Standards in respect of the non-controlling interest; • Reviewing the consolidation journal entries in relation to the transfer of the IP from parent to subsidiary as well as the journal entries in relation to the non-controlling interest; and • In relation to the SAFE notes, RSM obtained documentation from management which supports the conversion of liability settled notes to equity settled notes as of 30 June 2021.

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 30 June 2021 but does not include the financial report and the 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 Group 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 have 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: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 21 of the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Identitii Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Group 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.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW, dated: 26 August 2021

Additional ASX Information

In accordance with ASX Listing Rule 4.10, the Directors provide the following information as at 11 August 2021.

a) *Distribution of shareholders and options holders*

Fully paid ordinary shares holding ranges	Holders	Number of shares	% of issued capital
1-1,000	47	17,603	0.010
1,001-5,000	445	1,495,928	0.980
5,001-10,000	477	3,590,561	2.360
10,001-100,000	1,004	35,274,056	23.190
100,001-9,999,999,999	254	111,698,637	73.450
Totals	**2,227**	**152,076,785**	**100.000**

Marketable Parcels

There are 649 shareholders holding less than a marketable parcel of 6,410 shares each (i.e. less than $500 per parcel of shares) based on the closing price of AUD 0.078 on 11 August 2021 representing a total of 2,418,511 shares.

Options

Identitii has 35,382,499 unlisted options on issue held by 39 option holders.

b) *Substantial shareholders*

A substantial shareholder is one who has a relevant interest in 5 per cent or more of the total issued shares in the Company. Following are the substantial shareholders in the Company based on notifications provided to the Company under the Corporations Act 2011:

Shareholder	Number of shares held	% of issued capital
275 Invest 2 Pty Ltd (1)	9,609,275	6.32%

(1) 275 Invest 2 Pty Ltd and its related parties

c) *Voting rights*

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. There are no other classes of equity securities.

d) *Restricted securities*

The Company does not have any restricted securities on issue.

e) Twenty largest shareholders

	Shareholder	**Number of shares held**	**% of issued capital**
1	KTM Ventures Innovation Fund LP	7,388,134	4.858%
2	HSBC Custody Nominees (Australia) Limited	4,273,259	2.810%
3	Bannaby Investments Pty Limited <Bannaby Super Fund A/C>	3,356,630	2.207%
4	Wodi Wodi Pty Limited <The Wodi Wodi A/C>	3,018,792	1.985%
5	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	2,759,581	1.815%
6	Pat Property Pty Ltd <Pat A/C>	2,579,837	1.696%
7	Mr Benjamin Buckingham	2,119,967	1.394%
8	O'Dwyer Technology Training Pty Limited <O'Dwyer Invest A/C>	2,000,000	1.315%
9	Link Traders (Aust) Pty Ltd	1,964,733	1.292%
10	275 Invest 2 Pty Ltd <275 Invest A/C>	1,952,352	1.284%
11	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	1,893,128	1.245%
12	Ms Sihol Marito Gultom	1,802,037	1.185%
13	Pintia Pty Ltd <Peter Curry Super Fund A/C>	1,801,877	1.185%
14	Oxleigh Pty Ltd	1,731,562	1.139%
15	Mr Andrew Robert Robson	1,703,254	1.120%
16	Creighton & Co Investments Pty Ltd	1,590,608	1.046%
17	Elorey Pty Ltd <Ramillies A/C>	1,590,608	1.046%
18	Mainstay Holdings Pty Ltd <Waterside A/C>	1,544,007	1.015%
19	Citicorp Nominees Pty Limited	1,533,813	1.009%
20	Lotsa Nominees Pty Ltd	1,136,363	0.747%
Total Securities of Top 20 Holdings		47,740,542	31.392%
Total Securities		**152,076,785**	

Corporate Directory

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John Rayment
Nicholas Armstrong
Timothy Phillipps

Company Secretary
Elissa Hansen

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Securities Exchange Listing
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