

OpenDNA Limited

ABN 14 613 410 398

Annual Report

30 June 2017

Contents

Page

Corporate information	1
Directors' report	2
Auditor's independence declaration	18
Consolidated statement profit or loss and other comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	21
Consolidated statement of cash flows	22
Notes to the financial statements	23
Directors' declaration	59
Independent auditor's report	60
Additional securities exchange information	64

Corporate information

ABN 14 613 410 398

Directors

G Pestell	<i>Non-Executive Chairman</i>
J Shah	<i>Managing Director and Chief Executive Officer</i>
E Cross	<i>Non-Executive Director</i>
L Sciambi	<i>Non-Executive Director</i>

Company secretary

P Torre

Registered office

Unit B9, 1st Floor
431 Roberts Road
Subiaco WA 6000

Principal place of business

Suite 183, Level 6
580 Hay Street
Perth WA 6000
08 6444 1702

Share register

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

Solicitors

Murcia Pestell Hillard
Suite 183, Level 6
580 Hay Street
Perth WA 6000

Bankers

National Australia Bank
Level 14, 100 St Georges Terrace
Perth WA 6000

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Securities Exchange Listing

OpenDNA Limited shares are listed on the Australian Securities Exchange (ASX: OPN)

Website address

www.opendna.ai

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of OpenDNA Limited ('OpenDNA' or the 'Company') and the entities it controlled at the end of, or during, the year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

G Pestell
J Shah
E Cross
L Sciambi (*appointed 9 August 2016*)

Principal Activities

The entity's principal activities are focussed on the sale and deployment of its patent-pending artificial intelligence system.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Review of operations

Group overview

Following the Company's successful oversubscribed A\$8m Initial Public Offering ("IPO") and subsequent listing on the Australian Securities Exchange ("ASX") on 16 November 2016, the balance of the financial year ended 30 June 2017 saw OpenDNA make significant progress in relation to several key facets of its business, including:

- developing and consolidating its core management and sales teams, as well as the Group's operating presence in key markets;
- expanding its global customer base across a diverse range of industries, including retail, entertainment and telecommunications;
- securing channel partner arrangements and other key strategic agreements (such as those with Facebook and Fyber) to promote OpenDNA's services;
- developing a range of important updates to the Company's technology suite, designed to maximise the practical benefit of the Company's offering; and
- creating public awareness and recognition, including the Company being recognised as a Westpac Business of Tomorrow and its CEO/MD, Mr Jay Shah, being invited to speak at a number of industry conferences in the UK and Singapore.

A detailed summary of key operational events relevant to the reporting period ended 30 June 2017 is set out below.

Customers and channel partners

Since the Company's listing on ASX in November 2016, the board has overseen the expansion of the Company's business presence and capabilities into key geographic and industry markets. In addition to Australia, OpenDNA and its subsidiaries have operations in Singapore (where its head operational office is located), South Africa and the United States. The bolstering of the Company's sales and business development team since listing on ASX has resulted in the creation of an extensive pipeline of future potential customers and channel partners, as well as having led to the signature of legally binding agreements with customers and channel partners operating in industries identified by the board as key markets for OpenDNA's artificial intelligence ("AI") and machine learning technology.

In addition to foundation customers, Robb Report Australia and SportsBlog, in January 2017 an agreement was signed with UK-based travel company Family Traveller for OpenDNA's AI systems to power their software applications ("Apps"), enabling psychographic profiling of Family Traveller's 250,000+ clients. Subsequent months saw the release in February 2017 of the OpenDNA-powered iOS and Android Apps for Sportsblog and the creation of a similar App for Robb Report Australia (ultimately launched in early July 2017).

On 27 June 2017, the Company announced the signing of a binding Memorandum of Understanding ("MOU") with progressive Android handset manufacturer and supplier Future Mobile Technology ("FMT"), pioneering the expansion of OpenDNA's AI systems into the lucrative mobile handset sector. Under the MOU, OpenDNA's personalised content App Jottr will (subject to Google's approval) be pre-loaded on FMT's wide array of the latest "Netsurfer" brand smartphone and tablet devices, enabling content to be tailored to the specific individual owner/user of the device. In return, OpenDNA will receive 50% of advertising revenue derived from the use of the App on the device. The MOU represents an exciting first foray for the Company into the massive mobile handset market and opens the way for Android device manufacturers to tailor services and content across Google's rich content ecosystem, paving the way for the "Internet of Me".

Directors' report (continued)

Review of operations (continued)

Customers and channel partners (continued)

Shortly after the end of the reporting period, a further significant development occurred with the finalisation and execution of an MOU with Endeavour Drinks Group ("Endeavour"), a business operated by Woolworths Limited and which is the owner of the Dan Murphy's, BWS and CellarMasters brands (amongst others). Under the MOU, OpenDNA and Endeavour will create and launch an App, providing users with the ability, with the help of OpenDNA's personalization technology, to tap into Endeavour's extensive product suite and associated knowledge base to choose "off the shelf" the best alcoholic beverage selection for their immediate needs. Through psychographic profiling and user interaction with the App, consumers will be able to create a library of potential products tailored to their specific interests and reflecting their preferences across a wide range of situations, events and moods. OpenDNA will be entitled to revenue both from App development and ongoing usage fees.

As noted in the Company's Quarterly operations report released on 28 July 2017, the agreements with Endeavour and Robb Report Australia – in each case organisations responsible for leading brands – illustrate the potential appeal of OpenDNA's AI and personalisation technology to successful businesses operating in diverse industries. The agreement with FMT is a breakthrough step for the Company in terms of its move into the Android mobile hardware space. Android has more than 2 billion monthly active users, making it the world's number one operating system (ahead of Windows) and it dominates the smartphone market with an 87.5% market share (ahead of Apple). Accordingly, demonstration by the Company of the effectiveness of the OpenDNA technology in the Android hardware market has significant potential for the Company's future growth.

Key technology and strategic initiatives

Since its ASX listing, the Company has made several strides in terms of bolstering its exciting AI technology and developing associated tools and initiatives designed to maximise its utility to customers and potential customers. Agreements signed in December 2016 with MediaFuse and in March 2017 with Facebook and Fyber GmbH enabled OpenDNA to offer customers extensive inventories of mobile advertising content, able to be personalised on OpenDNA-powered platforms to the specific interests of individual end-users.

The Facebook agreement in particular is especially notable given Facebook's status as a leading provider of "native" advertising, in which ads are seamlessly integrated into overall website/App content without breaks or delays which can otherwise interrupt or detract from the user experience. For customers operating in the digital publishing space, these additions are especially significant and constitute OpenDNA a "one-stop shop" where both published core content and advertising can be seamlessly provided on a user-specific basis to individual readers, reflecting only the interests and preferences of that reader rather than serving content in which they are not interested.

Substantial in-house work was undertaken by the Company during the reporting period on technology-related initiatives. That work was reflected by the announcement shortly thereafter of a number of key developments, including an upgraded version of the proprietary Jottr "Smart App" and the release of the Company's innovative web content extraction tool, IRIS. Further, during the reporting period the latest Android version of the Company's software development kit ("SDK") was released for use by App developers, providing them with the tools to quickly integrate OpenDNA's AI and personalisation technology into third party Apps and hence broadening the Company's potential reach. A number of other key initiatives are currently under development by OpenDNA's technical team and are expected to be launched in the coming months, with the intention of further strengthening the Company's compelling usage case for customers.

Awards and recognition

Given the innovative and dynamic field in which OpenDNA operates, a key area identified by the board post-IPO was to drive broad awareness of the Company and its proprietary technology. It was therefore pleasing in April 2017 that the Company was recognised by Westpac as one of its "Businesses of Tomorrow"; an achievement not only resulting in access to direct financial and non-financial support (as well as mentoring from some of Australia's leading business people), but also evidencing the wider recognition of the importance of artificial intelligence as a future area of economic growth.

Notably, OpenDNA was one of only seven ASX-listed entities to be featured in this regard. Being named as a "Business of Tomorrow" constituted the most recent noteworthy recognition event for the Company, whose technology was featured in the Apple Store on several occasions in 2016 and who received substantial services credits from Amazon in 2015 as part of the "Amazon Activate" program. During the period, the Company's MD & CEO Mr Jay Shah was also invited to speak at a number of prominent events to discuss the Company's technology and the future of artificial intelligence generally. In March 2017, he spoke as a panel member in front of an audience of approximately 500 at an event held in Singapore by CASBAA, the association for the multi-channel audio-visual content creation and distribution industry across Asia. In June 2017, he presented to approximately 200 senior employees of Vodafone at a London-based "Deep Dive on Artificial Intelligence and Machine Learning" session held as part of the Vodafone Innovation Forum.

Directors' report (continued)

Review of operations (continued)

Awards and recognition (continued)

Together with successful efforts on the part of the Company to penetrate new markets and secure new customers in a diverse range of industries, these developments illustrate the growing awareness and recognition of the potential of AI to influence and benefit a wide range of businesses operating in the digital environment.

Operating results for the year

The Group has recorded a net loss after tax of \$7,713,236 in its first financial year.

Review of financial position

The net assets of the group as at 30 June 2017 were \$6,531,062, comprised of the following key items:

- Cash and cash equivalents \$3,747,988; and
- Intangible assets of \$2,574,522.

Significant changes in the state of affairs

Other than disclosed elsewhere in this report, there have been no significant changes in the state of affairs of the Group to the date of this report.

Significant events after balance date

Other than disclosed elsewhere in this report, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental legislation

The Group is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

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

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' report (continued)

Information on directors

G Pestell LL.B. *Non-Executive Chairman. Age 46*

Experience and expertise

Independent non-executive chairman since July 2016. Founding director of Murcia Pestell Hillard solicitors, who act for the Company. Over 20 years' experience in commercial litigation, corporate and commercial law with extensive experience advising both listed and private companies particularly in the Information & Technology, Energy Resources and Mining Resources Industries; and Managing Director of Murcia Pestell Hillard since 2000.

Other current directorships

None.

Former directorships in the last 3 years

ASG Group Limited from May 2014 to December 2016.

Special responsibilities

Chairman of the board.

Interests in shares and options

250,005 ordinary shares in OpenDNA.

5,000,000 options over ordinary shares in OpenDNA.

Mr. Pestell controls 25% of Digrevni Investments Pty Ltd ("Digrevni"), which is the holder of 2,500,000 ordinary shares in OpenDNA. 1,000,000 of those shares were acquired by Digrevni as part of the seed capital raising undertaken by the Company (at a price of \$0.10 per share) in August 2016 and the remaining 1,500,000 shares are held by Digrevni as nominee for Murcia Pestell Hillard Pty Ltd.

Mr. Pestell also controls 25% of Artemis Corporate Limited ("Artemis"), which is the holder of 400,000 ordinary shares in OpenDNA. The shares were acquired by Artemis on market.

J Shah BA (Hons). *Managing Director and Chief Executive Officer. Age 41*

Experience and expertise

Managing director, Chief Executive Officer and founder of the Company. Business leader and digital strategist who has launched and led business ventures in various jurisdictions. Founded and served as CEO of five companies involved in software development (CMS), VoIP, Mobile telecoms and a technology incubator in the UK.

Other current directorships

None.

Former directorships in the last 3 years

None.

Special responsibilities

Managing director and Chief Executive Officer.

Interests in shares and performance shares

26,634,406 ordinary shares in OpenDNA.

28,000,000 performance shares.

Mr. Shah's father, Ajitkumaer Shah, holds 1,000,000 shares in OpenDNA. These were issued to him as part of the seed capital raising undertaken by the Company.

Directors' report (continued)

E Cross B. Bus, CA, FAICD. *Non-Executive Director. Age 57*

Experience and expertise

Independent non-executive director since July 2016. A chartered accountant with more than 30 years' corporate finance experience in investment banking and has held executive director roles in a number of ASX-listed companies across a wide range of industries including technology, healthcare, mining and food and beverage.

Other current directorships

Dreamscape Networks Limited.

Former directorships in the last 3 years

Sun Biomedical Limited from March 2013 to July 2015.

MyFiziq Limited from October 2014 to October 2016.

Activistic Limited from July 2015 to April 2017.

Ephraim Resources Limited from January 2017 to June 2017.

Special responsibilities

Board and committee member.

Interests in shares and options

200,005 ordinary shares in OpenDNA.

3,000,000 options over ordinary shares in OpenDNA.

L Sciambi BSEE, Drexel University. *Non-Executive Director. Age 72*

Experience and expertise

Independent non-executive director since July 2016. A former investment banker with 30+ years' experience with technology-based businesses, as an entrepreneur, turnaround manager, advisor and investor. Experienced senior executive and advisor to over a hundred companies at various stages of development, involved in raising more than \$350 million in capital and more than three dozen M&A transactions.

Other current directorships

None.

Former directorships in the last 3 years

None.

Special responsibilities

Board and committee member.

Interests in shares and options

3,000,000 options over ordinary shares in OpenDNA.

Company Secretary

The company secretary is P Torre CA, AGIA, MAICD. Mr Torre was appointed to the position of company secretary in March 2017. Mr Torre is the principal of Torre Corporate, a specialist corporate advisory firm providing corporate secretarial services to a range of listed companies.

K Hart was the company secretary from July 2016 to March 2017.

Directors' report (continued)

Interests in the shares, options and performance shares of the Company and related bodies corporate

The following relevant interests in shares, options and performance shares of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number	Performance shares Number
G Pestell	250,005	5,000,000	-
J Shah	26,634,406	-	28,000,000
E Cross	200,005	3,000,000	-
L Sciambi	-	3,000,000	-
	<u>27,084,416</u>	<u>11,000,000</u>	<u>28,000,000</u>

Shares under option or issued on exercise of options

At the date of this report unissued ordinary shares or interests of the Company under option are:

Date options granted	Number of shares under option	Exercise price of option	Expiry date of option
9 September 2016	5,200,000	\$0.30	9 September 2019
9 September 2016	3,900,000	\$0.35	30 June 2021
9 September 2016	3,900,000	\$0.40	30 June 2023
11 November 2016	2,000,000	\$0.30	11 November 2020
18 January 2017	1,800,000	\$0.30	18 January 2020
18 January 2017	600,000	\$0.35	18 January 2021
18 January 2017	600,000	\$0.40	18 January 2022
	<u>18,000,000</u>		

No ordinary shares have been issued by the Company during or since the end of the financial year as a result of the exercise of an option.

Share options granted to directors and other key management personnel

During and since the financial year, share options were granted to the following directors and other key management personnel of the Company and the entities it controlled as part of their remuneration.

	Number of options granted	Number of ordinary shares under option
Directors		
G Pestell	5,000,000	5,000,000
J Shah	-	-
E Cross	3,000,000	3,000,000
L Sciambi	3,000,000	3,000,000
Other key management personnel		
R Jarvis	3,000,000	3,000,000
K Fell	750,000	750,000
G Irwin	2,000,000	2,000,000
	<u>16,750,000</u>	<u>16,750,000</u>

Director's report (continued)

Remuneration report

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of OpenDNA Limited for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Key Management Personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

Directors

G Pestell	<i>Non-Executive Chairman (appointed 1 July 2016)</i>
J Shah	<i>Managing Director and Chief Executive Officer (appointed 19 September 2016)</i>
E Cross	<i>Non-Executive Director (appointed 1 July 2016)</i>
L Sciambi	<i>Non-Executive Director (appointed 9 August 2016)</i>

Executives

R Jarvis	<i>Chief Financial Officer (appointed 17 October 2016)</i>
K Fell	<i>Chief Operating Officer (appointed 1 October 2016, resigned 1 April 2017)</i>
G Irwin	<i>Chief Technical Officer</i>

Except as noted, the named persons held their current positions for the whole of the financial year and since the financial year.

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company 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, demanding performance hurdles for variable executive remuneration.

Remuneration Committee

The Company does not have a separate remuneration committee until such time as the board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company.

The full board carries out the duties that would ordinarily be assigned to that committee, ensuring that the level and composition of remuneration provided to attract and retain high quality directors and employees is commercially appropriate and targeted to align with the interests of the Company whilst not resulting in a conflict with the objectivity of its independent directors.

The board of directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team.

The board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Remuneration structure

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

Use of remuneration consultants

No external remuneration consultants were used in the year. However, the board is satisfied that remuneration levels are made free from undue influence from any members of key management personnel.

Directors' report (continued)

Remuneration report (continued)

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Constitution of the Company provides that the directors may determine the remuneration of directors prior to the first annual general meeting of the Company. The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. As the Company was incorporated on 1 July 2016, its first Annual General Meeting will be convened on or before 30 November 2017, at which point, the total remuneration pool for non-executive directors will be approved by shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors will be reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a director of the Company. An additional fee will also be paid for each board committee on which a director sits when such board committees are established. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

The Company has entered into non-executive director contracts for services with each of Messrs Pestell, Cross and Sciambi. Each such contract is on broadly similar terms, which include the following:

- Term: Continuation of appointment is subject to and contingent upon the fulfilment of the obligations of a non-executive director under the ASX Listing Rules, the Constitution of the Company and the Corporations Act, and the successful re-election by the Company shareholders.
- Fixed fee:
 - Mr Pestell: A\$65,000 per annum plus superannuation;
 - Mr Cross: A\$45,000 per annum plus superannuation; and
 - Mr Sciambi: A\$45,000 per annum,

The non-executive directors may be entitled to such additional fees or other amounts as the board determines (in its absolute discretion) where performing special duties or otherwise performing services outside the scope of the ordinary duties of a director.

The non-executive directors may also be reimbursed for out of pocket expenses incurred as a result of their respective directorships or any special duties upon production of the relevant receipts, provided however that any individual expense exceeding \$2,000 must not be incurred without the prior written consent of the board.

Role: The non-executive directors are expected to attend regular board meetings involving a minimum commitment of 10 hours per month, as well as attending the annual general meeting of the Company and informal meetings, and consider general correspondence from time to time.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The board has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The fixed remuneration component is detailed in the Key Management Personnel remuneration table for the year ended 30 June 2017.

Directors' report (continued)

Remuneration report (continued)

Senior manager and executive director remuneration (continued)

Variable Remuneration

The objective of the short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

The aggregate of annual payments available for executives across the Group is subject to the approval of the board. The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

(a) Managing director's contract

The terms and conditions of the employment contract entered into between the Company and Mr Shah are as follows:

Commencement date:	19 September 2016;
Probation period:	Not applicable;
Term:	The employment contract continues until either party terminates by giving the other not less than six months' prior notice in writing;
Remuneration:	US\$280,000 per annum, reviewable annually;
Equity incentivisation:	Mr Shah has received Performance Shares (as set out in the below table) as incentivisation. The conversion of the Performance Shares is conditional upon the achievement of certain milestones, (each Performance Share converts to one fully paid ordinary share upon conversion);
Performance bonus scheme ¹ :	Subject to meeting key performance measures, which will be set by the board, the CEO will be eligible every 12 months for a lump sum bonus payment of up to 25% of base salary, payable as either cash or fully paid shares in the capital of the Company;
Intellectual property:	Mr Shah acknowledges that the Company is the exclusive owner of all rights, title and interest in all intellectual property created by the CEO within the course of his employment; and
Non-solicitation:	Mr Shah will not, for a period of 24 months after termination of employment, solicit any customer or employee of the Group (other than in connection with businesses which are not competitive with those operated by the Group).

(b) Chief Financial Officer's contract

The terms and conditions of the employment contract entered into between the Company and Mr Jarvis are as follows:

Commencement date:	17 October 2016;
Probation period:	Three (3) months;
Term:	Following the probation period, the employment contract continues until either party terminates by giving the other not less than three months' prior notice in writing;
Remuneration:	\$200,000 per annum plus superannuation, reviewable by the Company from time to time;
Equity incentivisation:	Unlisted Options will be offered by the Company, as set out in the below tables;
Performance bonus scheme ¹ :	Subject to meeting key performance measures, which will be set by the Board, Mr Jarvis will be eligible every 12 months for a lump sum bonus payment of up to 25% of base salary, payable as either cash or fully paid shares;
Intellectual property:	Mr Jarvis acknowledges that the Company is the exclusive owner of all rights, title and interest in all intellectual property created by Mr Jarvis in the course of his employment; and
Non-solicitation:	Mr Jarvis will not, for a period of 24 months after termination of employment, solicit any customer or employee of the Company (other than in connection with businesses which are not competitive with those operated by the Company).

Directors' report (continued)

Remuneration report (continued)

Senior manager and executive director remuneration (continued)

Employment Contracts (continued)

(c) Chief Operating Officer's contract (resigned on 1 April 2017)

The terms and conditions of the employment contract entered into between OpenDNA (Singapore) Pte Ltd and Mr Fell are as follows:

Commencement date:	1 October 2016;
Term:	The employment contract continues until either party terminates by giving the other not less than six months' prior notice in writing;
Remuneration:	US\$280,000 per annum, reviewable by OpenDNA (Singapore) Pte Ltd from time to time, plus a sign-on bonus of 1,000,000 Shares in the Company;
Equity incentivisation:	Unlisted Options will be offered by the Company, as set out in the below tables;
Performance bonus scheme ¹ :	Subject to meeting key performance measures be set by the Board, Mr Fell will be eligible, every 12 months, for a lump sum bonus payment of up to 25% of base salary, payable as either cash or fully paid shares in the capital of the Company;
Intellectual property:	Mr Fell acknowledges that OpenDNA (Singapore) Pte Ltd is the exclusive owner of all rights, title and interest in all intellectual property created by the COO in the course of his employment; and
Non-solicitation:	Mr Fell will not, for a period of 24 months after termination of employment, solicit any customer or employee of the Group (other than in connection with businesses which are not competitive with those operated by the Group).

(d) Chief Technical Officer's contract

The terms and conditions of the employment contract entered into between OpenDNA (UK) Limited and Mr Irwin are as follows:

Commencement date:	1 June 2015;
Term:	The employment contract continues until either party terminates by giving the other not less than six months' prior notice in writing;
Remuneration:	US\$150,000 per annum, reviewable annually;
Equity incentivisation:	Mr Irwin will receive incentive Options and Performance Shares (as set out in the below tables) the conversions of which are conditional upon the achievement of certain milestones (each Performance Share and Option converts to one fully paid ordinary share upon conversion);
Intellectual property:	Mr Irwin acknowledges that all intellectual property rights (including moral rights to any associated copyright) and inventions created by him in the course of his employment with OpenDNA UK; and
Restraint of outside interests:	Mr Irwin may not, except as a representative of OpenDNA UK or with the prior written approval of the Board, have any financial interest in any capacity in other business, trade, profession or occupation. An exception is made to this restraint whereby Mr Irwin may hold an investment of not more than 5% of the total share capital where the company does not carry on a similar business to, or compete with, OpenDNA UK.

¹ No performance bonuses have been declared or are payable to any Executive for the year ended 30 June 2017. The Board is currently in the process of establishing the key performance measures for each Executive, which will come into effect on the anniversary of the Company listing on the ASX.

Directors' report (continued)

Remuneration of Key Management Personnel

Key Management Personnel remuneration for the year ended 30 June 2017

30 June 2017	Short-term employee benefits		Post-employment benefits	Share-based payments	Total	Relative proportions of remuneration of KMP that are linked to performance	
	Salary & fees	Other	Superannuation	Shares / Share options		Fixed remuneration	Remuneration linked to performance
	\$	\$	\$	\$	\$	%	%
Directors							
G Pestell	43,333	-	4,117	218,464	265,914	100%	0%
J Shah ¹	245,994	40,645	-	-	286,639	100%	0%
E Cross	30,000	-	2,850	131,078	163,928	100%	0%
L Sciambi	30,000	-	-	131,078	161,078	100%	0%
Executives							
R Jarvis	141,667	2,893	13,458	40,961	198,979	100%	0%
K Fell ²	252,244	4,814	-	200,000	457,058	100%	0%
G Irwin	161,756	10,631	-	87,386	259,773	100%	0%
	904,994	58,983	20,425	808,967	1,793,369		

¹ Other benefits payable to J Shah during the year include a relocation allowance advance of \$30,014, relating to his relocation from the UK to Singapore.

² As part of K Fell's remuneration package he was paid a sign-on bonus of 1,000,000 fully ordinary shares in the Company. These shares have been valued at 20 cents per share, being the IPO issue price of the Company's shares, with the resultant value of \$200,000 being included as a share based payment expense.

With the exception of the sign-on bonus paid to K Fell, no member of key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Directors' report (continued)

Remuneration of Key Management Personnel (continued)

Key Management Personnel remuneration for the year ended 30 June 2017 (continued)

Key management personnel transactions

In addition to the above remuneration, related party transactions with key management personnel are described below.

\$

The following payments were paid to Murcia Pestell Hillard Pty Ltd, a company related to Mr. G Pestell:

- provision of legal services in relation to the company listing on the ASX ¹	277,979
- provision of general legal services	182,987
- rent for the provision of serviced office space	10,290
	<u>471,256</u>

¹ included in the balance of \$277,979 is an amount of \$150,000, which was converted to ordinary shares (at a price of \$0.10 per share). The 1,500,000 ordinary shares are held by Digrevni Investments Pty Ltd ("Digrevni"), as nominee for Murcia Pestell Hillard Pty Ltd.

The following payment was paid to Artemis Corporate Limited, a company related to Mr. G Pestell:

- provision of business development and advisory services	<u>70,000</u>
---	---------------

The following payments were paid to The Small Business Force, LLC, a company related to Mr. L Sciambi:

- provision of business development and general advisory services	<u>85,532</u>
---	---------------

The following payments were paid to Sante Holdings Pty Ltd, a company related to Mr. E Cross:

- provision of financial and corporate advisory services	<u>22,000</u>
--	---------------

Cash bonuses granted as compensation for the current financial year.

No cash bonuses were granted during the year ended 30 June 2017.

Directors' report (continued)

Employee share option plan

Details of employee share option plans granted as compensation for the current financial year

For details on the valuation of the options, including models and assumptions used, please refer to Note 15. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. Terms and conditions of share-based plans in existence affecting key management personnel during the financial year or future financial years are detailed below:

	Number of options	Value per option \$	Grant date	Grant date fair value \$	Exercise price \$	Expiry date	Vesting date
Tranche 1	5,450,000	0.04	9 September 2016	243,289	0.30	9 September 2019	9 September 2016
Tranche 2	4,150,000	0.06	9 September 2016	232,776	0.35	30 June 2021	30 June 2017
Tranche 3	4,150,000	0.07	9 September 2016	279,363	0.40	30 June 2023	30 June 2018
Tranche 5	1,000,000	0.02	18 January 2017	22,417	0.30	18 January 2020	18 January 2017
Tranche 6	800,000	0.02	18 January 2017	17,934	0.30	18 January 2020	18 October 2017
Tranche 7	600,000	0.02	18 January 2017	15,283	0.35	18 January 2021	30 June 2018
Tranche 8	600,000	0.02	18 January 2017	17,086	0.40	18 January 2022	30 June 2019
	<u>16,750,000</u>						

There have been no alterations of the terms and conditions of the above share-based payment arrangements since the grant date.

Share-based payments granted as compensation to key management personnel during the current financial year

	Tranche	Granted during the year Number	Cancelled during the year Number	Vested during the year Number	% of grant vested %	% of grant forfeited %
Directors						
G Pestell	1	2,000,000	-	2,000,000	100%	-
	2	1,500,000	-	1,500,000	100%	-
	3	1,500,000	-	-	-	-
E Cross	1	1,200,000	-	1,200,000	100%	-
	2	900,000	-	900,000	100%	-
	3	900,000	-	-	-	-
L Sciambi	1	1,200,000	-	1,200,000	100%	-
	2	900,000	-	900,000	100%	-
	3	900,000	-	-	-	-
Executives						
R Jarvis	5	1,000,000	-	1,000,000	100%	-
	6	800,000	-	-	-	-
	7	600,000	-	-	-	-
	8	600,000	-	-	-	-
K Fell	1	250,000	(250,000)	-	-	-
	2	250,000	(250,000)	-	-	-
	3	250,000	(250,000)	-	-	-
G Irwin	1	800,000	-	800,000	100%	-
	2	600,000	-	600,000	100%	-
	3	600,000	-	-	-	-
		<u>16,750,000</u>	<u>(750,000)</u>	<u>10,100,000</u>		

No options that were granted to key management personnel as part of their remuneration during the current financial year have been exercised. No options lapsed during the year.

Directors' report (continued)

Loans to key management personnel

No loans have been provided to any member of the Group's key management personnel in the year.

Key management personnel equity holdings

Fully paid ordinary shares

30 June 2017	Balance at beginning of year Number	Granted as compensation Number	Received on exercise of options Number	Net change other Number	Balance at end of year Number	Balance held nominally Number
Directors						
G Pestell	-	-	-	250,005	250,005	-
J Shah	-	-	-	26,634,406	26,634,406	-
E Cross	-	-	-	200,005	200,005	-
L Sciambi	-	-	-	-	-	-
Executives						
R Jarvis	-	-	-	100,000	100,000	-
K Fell	-	1,000,000	-	-	1,000,000	-
G Irwin	-	-	-	4,151,485	4,151,485	-

Share options

30 June 2017	Balance at beginning of year Number	Granted as compensation Number	Cancelled Number	Balance at end of year Number	Balance vested at end of year Number	Vested but not exercisable Number	Vested and exercisable Number	Options vested during the year Number
Directors								
G Pestell	-	5,000,000	-	5,000,000	3,500,000	3,500,000	-	3,500,000
J Shah	-	-	-	-	-	-	-	-
E Cross	-	3,000,000	-	3,000,000	2,100,000	2,100,000	-	2,100,000
L Sciambi	-	3,000,000	-	3,000,000	2,100,000	2,100,000	-	2,100,000
Executives								
R Jarvis	-	3,000,000	-	3,000,000	1,000,000	1,000,000	-	1,000,000
K Fell	-	750,000	(750,000)	-	-	-	-	-
G Irwin	-	2,000,000	-	2,000,000	1,400,000	1,400,000	-	1,400,000
	-	16,750,000	(750,000)	16,000,000	10,100,000	10,100,000	-	10,100,000

Where applicable, all share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

No options were exercised by key management personnel during the financial year.

Directors' report (continued)*Key management personnel equity holdings (continued)*Performance shares

30 June 2017	Balance at beginning of year Number	Granted as compensation Number	Cancelled during the year Number	Net change other Number	Balance at end of year Number
Directors					
J Shah	-	28,000,000	-	-	28,000,000
Executives					
K Fell ¹	-	3,500,000	(3,500,000)	-	-
G Irwin	-	3,500,000	-	-	3,500,000
	-	35,000,000	(3,500,000)	-	31,500,000

¹ The performance shares issues to K Fell lapsed, following his resignation from the Company.

Performance shares comprise of the following:

	Number	\$ ¹
Class A Performance Shares, will convert to ordinary shares upon the Company achieving within five years of issue annualised gross revenue exceeding \$3.5m (measured over any three-consecutive month period) or achieving 20m users (at least half of which are directly revenue generative).	11,200,000	-
Class B Performance Shares, will convert to ordinary shares upon the Company achieving within five years of issue annualised gross revenue exceeding \$7.5m (measured over any three-consecutive month period) or achieving 30m users (at least half of which are directly revenue generative).	11,200,000	-
Class C Performance Shares, will convert to ordinary shares upon the Company achieving within five years of issue annualised gross revenue exceeding \$12m (measured over any three-consecutive month period) or achieving 50m users (at least half of which are directly revenue generative).	9,100,000	-
	<u>31,500,000</u>	<u>-</u>

¹ The Performance Shares have been valued at \$0.20 each, based on the IPO issue price of the Company's shares. The Company will be required to record the value of these shares in its accounting records over the vesting period, however, this will only commence when the directors believe it is probable that any of the performance milestones will be achieved.

At the date of this report, the directors cannot resolve with any certainty whether it would be considered probable that any of the performance milestones will be achieved. As a result, no value has been recorded in the accounting records.

END OF REMUNERATION REPORT

Directors' report (continued)

Directors' Meetings

The number of board meetings of the Company's board of directors held during the year ended 30 June 2017, and the number of meetings attended by each director are set out below. As set out in the Company's Corporate Governance Statement, the Company does not currently have any fully constituted committees, however, matters typically dealt with by an Audit and Risk Committee, and a Remuneration and Nomination Committee are dealt with in full board meetings as and when required.

	Board Meetings
Number of meetings held:	<u>12</u>
Number of meetings attended:	
G Pestell	12
J Shah	12
E Cross	12
L Sciambi	11

Other matters of Board business have been resolved by circular resolution of directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the Company's activities throughout the year.

Proceedings on behalf of the Company

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

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 18 and forms part of this directors' report for the year ended 30 June 2017.

Signed in accordance with a resolution of the directors.



Jay Shah
Chief Executive Officer and Managing Director
Perth, 28 September 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of OpenDNA Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
28 September 2017

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

**Consolidated statement of profit or loss
and other comprehensive income
For the year ended 30 June 2017**

	Notes	2017 \$
Continuing operations		
Revenue	2, 4	19,681
Interest income		30,090
Depreciation and amortisation expense	10, 11	(158,134)
Impairment charge	11	(2,528,788)
Share based payment expense	15	(808,967)
<i>Other expenses</i>		
Consulting fees		(1,296,967)
Employee costs		(1,958,915)
Travel and accommodation costs		(410,886)
Other expenses	2	(1,224,002)
Loss before income tax	3	(8,336,888)
Income tax benefit	3	623,652
Net loss for the year		(7,713,236)
Other comprehensive loss, net of income tax		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations		(123,789)
Other comprehensive loss for the year, net of income tax		(123,789)
Total comprehensive loss for the year		(7,837,025)
Basic loss per share (cents per share)	5	9.40
Diluted loss per share (cents per share)	5	9.40

The accompanying notes form part of these financial statements

Consolidated statement of financial position

As at 30 June 2017

	Notes	2017 \$
Assets		
Current assets		
Cash and cash equivalents	7	3,747,988
Trade and other receivables	8	359,851
Other current assets	9	199,218
Total current assets		<u>4,307,057</u>
Non-current assets		
Property, plant and equipment	10	81,859
Deferred tax assets	3	273,838
Intangible assets	11	2,574,522
Total non-current assets		<u>2,930,219</u>
Total assets		<u>7,237,276</u>
Liabilities		
Current liabilities		
Trade and other payables	12	207,501
Total current liabilities		<u>207,501</u>
Non-current liabilities		
Deferred tax liabilities	3	498,713
Total non-current liabilities		<u>498,713</u>
Total liabilities		<u>706,214</u>
Net assets		<u><u>6,531,062</u></u>
Equity		
Issued capital	13	13,646,581
Reserves	14	597,717
Accumulated loss		(7,713,236)
Total equity		<u><u>6,531,062</u></u>

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity
For the year ended 30 June 2017

	Notes	Issued capital \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Accumulated loss \$	Total equity \$
Issue of incorporation shares	13	10	-	-	-	10
Loss for the year		-	-	-	(7,713,236)	(7,713,236)
Other comprehensive loss, net of income tax	14	-	-	(123,789)	-	(123,789)
Total comprehensive loss for the year		-	-	(123,789)	(7,713,236)	(7,837,025)
Shares issued	13	14,608,354	-	-	-	14,608,354
Share issue costs	13	(961,783)	-	-	-	(961,783)
Share-based payments	15	-	721,506	-	-	721,506
Balance as at 30 June 2017		13,646,581	721,506	(123,789)	(7,713,236)	6,531,062

The accompanying notes form part of these financial statements

Consolidated statement of cash flows
For the year ended 30 June 2017

	Notes	\$
Cash flows from operating activities		
Receipts from customers		13,169
Payments to suppliers and employees		(4,871,962)
Interest received		30,089
Other – Research and Development cash rebate received		75,665
Other – Advances and security deposits paid		(139,711)
Net cash outflow from operating activities	7	<u>(4,892,750)</u>
Cash flows from investing activities		
Payments for property, plant and equipment		(104,297)
Cash assumed on acquisition of subsidiary	17	<u>266,635</u>
Net cash inflow from investing activities		<u>162,338</u>
Cash flows from financing activities		
Proceeds from issue of shares		9,340,000
Payments for share issue costs		<u>(849,432)</u>
Net cash inflow from financing activities		<u>8,490,568</u>
Net increase in cash and cash equivalents		3,760,156
Cash and cash equivalents at incorporation		-
Effect of exchange rate fluctuations on cash held		<u>(12,168)</u>
Cash and cash equivalents at the end of the year	7	<u>3,747,988</u>

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of OpenDNA Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia on 1 July 2016 and operating in Australia, Singapore, South Africa and the United States of America. The entity's principal activities are focussed on the sale and deployment of its patent-pending artificial intelligence system. As the Company was incorporated on 1 July 2016, no comparative information exists.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2017

In the year ended 30 June 2017, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 28 September 2017.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of goodwill and intangibles with indefinite useful lives:

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 11.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(d) Significant accounting estimates and judgements (continued)

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 15.

(e) Going concern

Directors are of the opinion that the Company is a going concern for the following reasons:

- As at the reporting date the Company had cash on hand amounting to \$3.7m and net assets amounting to \$6.3m;
- The directors also anticipate that a further equity raising will be required and the funds raised will be used to meet the ongoing working capital requirements of the Group.

Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Company will be able to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

(f) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including,

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries.

Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(f) Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of OpenDNA Limited.

(h) Foreign currency translation

Both the functional and presentation currency of OpenDNA Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currencies of the foreign operations are:

- OpenDNA (UK) Limited: Wholly owned UK subsidiary. Currency: GBP
- OpenDNA (UK) Limited: South African branch office. Currency: ZAR
- OpenDNA (Singapore) Pte Ltd: Wholly owned Singaporean subsidiary. Currency: SGD

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of OpenDNA Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(h) Foreign currency translation (continued)

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to the partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange rate differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

(i) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

(j) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(k) Borrowing costs

Borrowing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs, refer Note 1(k).

Finance lease assets are depreciated on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(m) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(n) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(o) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(p) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(p) Impairment of tangible and intangible assets other than goodwill (continued)

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(r) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 – 90 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(s) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(s) Financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(t) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(t) Derecognition of financial assets and financial liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(u) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or Group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(v) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(v) Property, plant and equipment (continued)

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(w) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(x) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(x) Intangible assets (continued)

The following useful lives are used in the calculation of amortisation:

Technology	10 years
------------	----------

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(y) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(z) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(aa) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(bb) Share based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model, further details of which are given in Note 15.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of OpenDNA Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, refer Note 5.

(cc) Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 1: Statement of significant accounting policies (continued)

(dd) Parent entity financial information

The financial information for the parent entity, OpenDNA Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Note 2: Revenue and expenses

Revenue

		\$
Sales revenue		
• Rendering of services	19,681	

Other expenses

Legal fees	273,419
Fees and subscriptions	154,365
Recruitment	131,958
Rent and associated costs	131,372
Accountancy fees	70,692
Auditors' remuneration	34,400
Patent and branding	74,650
Foreign exchange gains and losses	69,681
Other expenses	283,465
	<u>1,224,002</u>

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 3: Income tax

Income tax recognised in profit or loss

The major components of tax benefit are:

	\$
Current tax benefit	(333,463)
Deferred tax benefit relating to the origination and reversal of temporary differences	(290,189)
Total tax benefit	<u>(623,652)</u>

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

Accounting loss before tax from continuing operations	<u>(8,336,888)</u>
Income tax benefit calculated at 27.5% (2016: 30%)	(2,292,644)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:	
• Effect of expenses that are not deductible in determining taxable profit	910,142
• Effect of concessions – research and development	(333,463)
• Effect of unused tax losses and timing differences not recognised as deferred tax assets	678,636
• Effect of unused tax losses now recognised as deferred tax assets	(273,838)
• Effect of different tax rates of subsidiaries operating in other jurisdictions	687,515
Income tax benefit reported in the consolidated statement of comprehensive income	<u>(623,652)</u>

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. This reduction in corporate tax rate from 30% in 2016 was substantively enacted as part of the *Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016* (on 19 May 2017).

Deferred tax assets comprise:

Tax losses - revenue	<u>273,838</u>
----------------------	----------------

Deferred tax liabilities comprise:

Fair value adjustments on acquisition	486,977
Property, Plant and Equipment	11,736
	<u>498,713</u>

Unrecognised deferred tax assets

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

Tax losses – revenue	678,636
Timing differences	99,497
	<u>778,133</u>

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 4: Segment reporting

Description of segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of directors in order to allocate resources to the segment and to assess its performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the year ended 30 June 2017.

30 June 2017	Australia \$	United Kingdom \$	Singapore \$	Consolidation adjustments \$	Total \$
Revenue					
Sales to external customers	19,681	-	-	-	19,681
Total	19,681	-	-	-	19,681
Segment result	(2,205,731)	(1,468,878)	(1,792,340)	(2,246,287)	(7,713,236)
Interest revenue	30,090	-	-	-	30,090
Depreciation and amortisation	(631)	(19,441)	(3,165)	(134,897)	(158,134)
Impairment charge	-	-	-	(2,528,788)	(2,528,788)
Income tax benefit	-	324,184	-	299,468	623,652
Segment assets	8,219,587	641,550	404,973	(2,028,834)	7,237,276
Segment liabilities	73,702	103,166	42,467	486,879	706,214
Cash flow information					
Net cash flow from operating activities	(1,400,515)	(1,663,983)	(1,856,016)	27,764	(4,892,750)
Net cash flow from investing activities	(3,816,843)	1,865,605	2,141,340	(27,764)	162,338
Net cash flow from financing activities	8,490,568	-	-	-	8,490,568
Other information					
Depreciation	(631)	(18,320)	(3,165)	-	(22,116)
Amortisation	-	(1,121)	-	(134,897)	(136,018)
Acquisition of non-current assets	3,210	97,026	16,475	5,226,721	5,343,432

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 4: Segment reporting (continued)

Other segment information

Segment revenue reconciliation to the statement of comprehensive income

	\$
Total segment revenue	19,681
Inter-segment sales elimination	-
Other revenue from continuing operations	-
Total	<u>19,681</u>

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographical location based on the location of customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than shown.

	\$
Australia	19,681
United Kingdom	-
Singapore	-
United States of America	-
Other foreign countries	-
Total	<u>19,681</u>

Note 5: Loss per share

Basic and diluted loss per share

Cents per share

Total basic and diluted loss per share attributable to the ordinary equity holders of the Company	<u>9.40</u>
---	-------------

Reconciliation of loss used in calculating loss per share

	\$
Loss attributable to the ordinary equity holders of the Company used in the calculation of basic and diluted loss per share	<u>7,713,236</u>

Weighted average number of shares used as the denominator

Number

Weighted average number of ordinary shares used in the denominator in calculating loss per share	<u>82,034,309</u>
--	-------------------

Information concerning classification of securities

Options granted are considered to be potential ordinary shares and have been included in the determination of diluted loss per share to the extent to which they are dilutive (the options are not considered to be dilutive). The options have not been included in the determination of basic loss per share. Details relating to the options are set out in note 15.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 6: Dividends

There were no dividends paid or declared to equity holders during the year ended 30 June 2017.

Note 7: Cash and cash equivalents

\$

Cash at bank and on hand	3,747,988
--------------------------	-----------

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group has no borrowing facilities in place.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

2017

\$

Cash at bank and on hand, as above	3,747,988
Bank overdraft	-
Balance per statement of cash flows	3,747,988

Reconciliation of loss for the year to net cash flows from operating activities

\$

Net loss for the year	(7,713,236)
Foreign exchange (gain)/loss	(51,729)
Equity settled share-based payment	808,967
Depreciation and amortisation	158,134
Impairment charge	2,528,788
Increase/(decrease) in current tax benefit	(333,464)
(Increase)/decrease in deferred tax assets	(273,838)
Increase/(decrease) in deferred tax liability	(16,350)
Change in net assets and liabilities, net of effects from acquisition and disposal of businesses	351,546
(Increase)/decrease in assets:	
Trade and other receivables	(559,069)
Increase/(decrease) in liabilities:	
Trade and other payables	207,501
Net cash from operating activities	(4,892,750)

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 8: Trade and other receivables

	\$
Trade receivables (i)	6,510
Allowance for impairment	-
Total	<u>6,510</u>

(i) the average credit period on sales of goods and rendering of services is 30 days.

Aging of past due but not impaired

	\$
30 – 60 days	-
60 – 90 days	-
90 – 120 days	6,510
Total	<u>6,510</u>

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The concentration of credit risk is limited due to the early stage of the Company's development and relatively small customer base and sales revenue and related trade debtors as at 30 June 2017.

Reconciliation of trade and other receivables

	\$
Trade debtors, noted above	6,510
UK Research and Development claim receivable	335,607
GST and VAT receivable	17,734
Total	<u>359,851</u>

Note 9: Other current assets

	\$
Advance to employees	39,348
Prepayments	59,897
Security deposits	99,963
Other	10
Total	<u>199,218</u>

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 10: Property, plant and equipment

	Notes	Office equipment \$	Computer equipment \$	Total \$
<i>Gross carrying amount</i>				
Balance at 1 July 2016		-	-	-
Foreign currency differences		104	3,435	3,539
Additions		16,155	79,802	95,957
Acquisitions through business combinations	17	-	8,043	8,043
Balance at 30 June 2017		16,259	91,280	107,539
<i>Accumulated depreciation and impairment</i>				
Balance at 1 July 2016		-	-	-
Foreign currency differences		7	3,558	3,565
Depreciation expense		961	21,154	22,115
Balance at 30 June 2017		968	24,712	25,680
<i>Carrying value</i>				
30 June 2017		15,291	66,568	81,859
30 June 2016		-	-	-

The useful life of the assets was estimated as follows:

Office equipment	4 years
Computer equipment	3 years

Impairment of fixed assets:

The recoverable amount of fixed assets is estimated to be in line with the carrying values, therefore, no impairment loss has been recognised as at 30 June 2017.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 11: Intangible assets

	Notes	Technology \$	Website development \$	Goodwill \$	Total \$
<i>Gross carrying amount</i>					
Balance at 1 July 2016		-	-	-	-
Foreign currency differences		-	1,325	-	1,325
Additions		-	8,340	-	8,340
Acquisitions through business combinations	17	2,697,933	4,371	2,016,181	4,718,485
Deferred tax liability recognised on business combination		512,607	-	-	512,607
Balance at 30 June 2017		3,210,540	14,036	2,016,181	5,240,757
<i>Accumulated amortisation and impairment</i>					
Balance at 1 July 2016		-	-	-	-
Foreign currency differences		-	1,429	-	1,429
Amortisation expense		134,897	1,121	-	136,018
Impairment loss charged to profit and loss		512,607	-	2,016,181	2,528,788
Balance at 30 June 2017		647,504	2,550	2,016,181	2,666,235
<i>Carrying value</i>					
30 June 2017		2,563,036	11,486	-	2,574,522
30 June 2016		-	-	-	-

The assessment of recoverable amount for goodwill has resulted in an impairment loss being recognised of \$2,016,181. The impairment loss represents the write-down to fair value less costs to sell. The impairment loss has been recognised in the statement of comprehensive income. The recoverable amount was based on fair value less costs to sell and was determined at the cash-generating unit level.

The *Technology* asset (which comprises of patents pending, copyright and technical know-how) and *Goodwill* (residual goodwill) were acquired through a business combination, (refer to Note 17), and for the purposes of impairment testing, have been treated as one cash generating unit ("CGU"). The Company has conducted its impairment testing of this CGU by assessing the value in use of this CGU as well as its fair value less cost to sell. The Company has determined that the higher of the two assessments is the fair value less costs to sell.

The Company commissioned an independent valuation of the CGU to determine its fair value. This valuation resulted in the fair value of the CGU at acquisition date to be \$2,697,933. The resultant impairment charge of \$2,528,788 has been calculated as follows:

	\$
Purchase consideration initially allocated to:	
- Technology	2,697,933
- Goodwill	2,016,181
Uplift relating to deferred tax liability on business combination	512,607
	5,226,721
Fair value of CGU	(2,697,933)
Impairment charge	2,528,788

The independent valuer's valuation of the CGU is categorised within Level 3 of the fair value hierarchy. The valuation technique utilised was based on the estimated replacement cost of the technology after factoring in an entrepreneur's incentive.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 12: Trade and other payables (current)

	\$
Trade payables (i)	49,256
Accruals	150,367
Other payables	7,878
	<u>207,501</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Note 13: Issued capital

Shares capital

	Number of shares	\$
Ordinary shares issued and fully paid	<u>105,083,540</u>	<u>13,646,581</u>

Movement in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2016	Opening balance	-	-	-
1 July 2016	Issue of incorporation shares	10	\$1.00	10
9 September 2016	Shares issued on acquisition of OpenDNA (UK) Limited	48,483,530	\$0.10	4,848,354
9 September 2016	Shares issued to seed capital investors	15,600,000	\$0.10	1,560,000
20 September 2016	Shares issued to Chief Operating Officer	1,000,000	\$0.20	200,000
16 November 2016	Shares issued on Initial Public Offering	40,000,000	\$0.20	8,000,000
		<u>105,083,540</u>		<u>14,608,364</u>
	Less: Transaction costs arising on share issue	<u>-</u>		<u>(961,783)</u>
		<u>105,083,540</u>		<u>13,646,581</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 13: Issued capital (continued)

Performance shares

	Number of shares	\$ ¹
Performance shares	31,500,000	-

Performance shares comprise of the following:

	Number	\$ ¹
Class A Performance Shares, will convert to ordinary shares upon the Company achieving within five years of issue annualised gross revenue exceeding \$3.5m (measured over any three-consecutive month period) or achieving 20m users (at least half of which are directly revenue generative).	11,200,000	-
Class B Performance Shares, will convert to ordinary shares upon the Company achieving within five years of issue annualised gross revenue exceeding \$7.5m (measured over any three-consecutive month period) or achieving 30m users (at least half of which are directly revenue generative).	11,200,000	-
Class C Performance Shares, will convert to ordinary shares upon the Company achieving within five years of issue annualised gross revenue exceeding \$12m (measured over any three-consecutive month period) or achieving 50m users (at least half of which are directly revenue generative).	9,100,000	-
	31,500,000	-

¹ The Performance Shares have been valued at \$0.20 each, based on the IPO issue price of the Company's shares. The Company will be required to record the value of these shares in its accounting records over the vesting period, however, this will only commence when the directors believe it is probable that any of the performance milestones will be achieved.

At the date of this report, the directors cannot resolve with any certainty whether it would be considered probable that any of the performance milestones will be achieved. As a result, no value has been recorded in the accounting records.

The performance shares have been issued to the following Executives:

	Class A	Class B	Class C	Total
Executives				
J Shah	10,000,000	10,000,000	8,000,000	28,000,000
K Fell ¹	1,200,000	1,200,000	1,100,000	3,500,000
G Irwin	1,200,000	1,200,000	1,100,000	3,500,000
	12,400,000	12,400,000	10,200,000	35,000,000

¹ The performance shares issues to K Fell lapsed, following his resignation from the Company.

Share options

The Company has an Incentive Share Option Plan under which options to subscribe for the Company's shares have been granted to certain directors and executives, refer Note 15. In addition, further options were issued to certain directors and executives outside of the Incentive Share Option Plan, but substantially on the same terms and conditions. The Company refers to these as Special Purpose Options and whilst no formal plan has been adopted for these options, the Company refers to any issues outside of the shareholder approval Incentive Share Option Plan as being issued under the Special Purpose Option Plan.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 14: Reserves

Nature, purpose and movement of reserves

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration, as well as to advisors. Refer to note 15 for further details of these plans.

	\$
Balance 1 July 2016	-
Options granted under Plan 1: Special Purpose Share Option Plan (Note 15)	568,006
Options granted under Plan 2: Incentive Share Option Plan (Note 15)	40,961
Options granted to Lead Manager (Note 15)	112,351
Issue price paid for advisory options	188
Balance 30 June 2017	<u>721,506</u>

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	\$
Balance 1 July 2016	-
Currency translation differences arising during the year	(123,789)
Balance 30 June 2017	<u>(123,789)</u>

Note 15: Share-based payment plans

Plan 1: Special Purpose Share Option Plan

The purpose of the Special Purpose Share Option Plan ('SPP') is to:

- assist in the reward, retention and motivation of eligible participants;
- link the reward of eligible participants and the creation of shareholder value;
- align interests of eligible participants more closely with the interest of shareholders by providing an opportunity for eligible participants to receive shares;
- provide eligible participants with the opportunity to share in any future growth in value of the Company; and
- provide greater incentive for eligible participants to focus on the Company's longer-term goals.

The following share-based payment arrangements were in place during the current period, under the SPP:

	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$	Vesting date
Tranche 1	5,450,000	9 September 2016	9 September 2019	0.30	243,289	9 September 2016
Tranche 2	4,150,000	9 September 2016	30 June 2021	0.35	232,776	30 June 2017
Tranche 3	4,150,000	9 September 2016	30 June 2023	0.40	279,363	30 June 2018
	<u>13,750,000</u>					

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 15: Share-based payment plans (continued)

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

The following table illustrates the movement (number) in share options issued during the year under the SPP:

	Number
Outstanding at the beginning of year	-
Granted during the year	13,750,000
Forfeited during the year	(750,000)
Exercised during the year	-
Expired during the year	-
Outstanding at the end of year	<u>13,000,000</u>
Exercisable at the end of year	<u>9,100,000</u>

The weighted average exercise price for all options noted above was \$0.35.

The fair value of the equity-settled share options granted under the SPP is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	Tranche 1	Tranche 2	Tranche 3
30 June 2017			
Expected volatility (%) ¹	50%	50%	50%
Risk-free interest rate (%)	1.53%	1.53%	1.53%
Expected life of option (days) ²	1,095	1,755	2,485
Exercise price (cents)	30	35	40
Grant date share price (cents)	20	20	20

¹ The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

² The expected life of the options is not based on historical data and is not necessarily indicative of exercise patterns that may occur. The number of days is calculated by the number of days between the grant date and expiry date of the option.

No other features of options granted were incorporated into the measurement of fair value.

The value brought to account as a share based payment expense in the year ended 30 June 2017 amounts to \$568,006.

Plan 2: Incentive Share Option Plan

The purpose of the Incentive Share Option Plan ('ISOP') is to:

- assist in the reward, retention and motivation of eligible participants;
- link the reward of eligible participants and the creation of shareholder value;
- align interests of eligible participants more closely with the interest of shareholders by providing an opportunity for eligible participants to receive shares;
- provide eligible participants with the opportunity to share in any future growth in value of the Company; and
- provide greater incentive for eligible participants to focus on the Company's longer-term goals.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 15: Share-based payment plans (continued)

The following share-based payment arrangements were in place during the current period, under the Plan:

	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$	Vesting date
Tranche 5	1,000,000	18 January 2017	18 January 2020	0.30	22,417	18 January 2017
Tranche 6	800,000	18 January 2017	18 January 2020	0.30	17,934	17 October 2017
Tranche 7	600,000	18 January 2017	18 January 2021	0.35	15,283	30 June 2018
Tranche 8	600,000	18 January 2017	18 January 2022	0.40	17,086	30 June 2019
	<u>3,000,000</u>					

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

No options granted under the ISOP have been forfeited, exercised or have expired during the year.

The fair value of the equity-settled share options granted under the ISOP is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

30 June 2017	Tranche 5	Tranche 6	Tranche 7	Tranche 8
Expected volatility (%) ¹	50%	50%	50%	50%
Risk-free interest rate (%)	1.53%	1.53%	1.53%	1.53%
Expected life of option (days) ²	1,095	1,095	1,461	1,826
Exercise price (cents)	30	30	35	40
Grant date share price (cents)	15	15	15	15

¹ The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

² The expected life of the options is not based on historical data and is not necessarily indicative of exercise patterns that may occur. The number of days is calculated by the number of days between the grant date and expiry date of the option.

No other features of options granted were incorporated into the measurement of fair value.

The value brought to account as a share based payment expense in the year ended 30 June 2017 amounts to \$40,961.

Lead Manager options

The Company entered into an exclusive mandate agreement appointing Argonaut Securities Pty Ltd ("Argonaut") as Lead Manager to the IPO. On completion of the IPO and in accordance with the mandate agreement, the Company granted Argonaut 2,000,000 options, which equated to 5% of the number of shares issued under the IPO.

Terms of the options are detailed below:

	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$	Vesting date
Lead Manager options	2,000,000	11 November 2016	11 November 2020	0.30	112,351	11 November 2016

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 15: Share-based payment plans (continued)

The options had an issue price of \$0.0001 per option.

The fair value of the equity-settled share options granted to Argonaut is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

30 June 2017	Argonaut options
Expected volatility (%) ¹	50%
Risk-free interest rate (%)	1.53%
Expected life of option (days) ²	1,461
Exercise price (cents)	30
Grant date share price (cents)	20

¹ The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

² The expected life of the options is not based on historical data and is not necessarily indicative of exercise patterns that may occur. The number of days is calculated by the number of days between the grant date and expiry date of the option.

The resultant fair value of \$112,351 has been recorded as a transaction cost arising on the issue of shares, with the corresponding entry being made against the share option reserve within equity.

Value of share based payments

Recognised as a share based payment expense in the Company's consolidated statement of profit or loss and other comprehensive income:

Options granted under Plan 1: Special Purpose Share Option Plan	568,006
Options granted under Plan 2: Incentive Share Option Plan	40,961
Shares issued to Chief Operating Officer (Note 13)	200,000
	<u>808,967</u>

Note 16: Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 16: Financial instruments (continued)

Categories of financial instruments

	\$
<u>Financial assets</u>	
Cash and cash equivalents	3,747,988
Trade and other receivables	359,851
Other current assets	199,218
<u>Financial liabilities</u>	
Trade and other payables	207,501

Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities 2017 \$	Assets 2017 \$
Great British Pounds (GBP or £)	103,169	641,550
Singapore Dollars (SGD or S\$)	42,467	404,973

Foreign currency sensitivity analysis

The Group is exposed to both GBP and SGD currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	GBP Impact 2017 \$	SGD Impact 2017 \$
Profit or loss (i)	48,907	32,955
Other equity (ii)	(170,050)	(194,457)

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 16: Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

- (i) This is mainly attributable to the exposure outstanding on GBP and SGD net assets at year end in the Group.
- (ii) This is mainly as a result of the restating of the intercompany loans between the Company and its UK and Singaporean subsidiaries, where on consolidation the exchange rate difference on restating loans into their AUD equivalent is transferred to the foreign exchange translation reserve in equity.

Interest rate risk management

The Group is limited in its exposure to interest rate risk as entities in the Group do not borrow any funds. The only exposure to interest rate risk is on the Group's exposures on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group has no non-derivative financial liabilities.

Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and liabilities.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying value of the financial assets and financial liabilities are recognised in the consolidated financial statements approximate their fair values.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 17: Business combination

Acquisition of OpenDNA (UK) Limited

On 5 August 2016, the Company entered into individual Share Sale Deeds with each of the shareholders of OpenDNA (UK) Limited, a UK registered company, to acquire 100% of the issued share capital of that company. As a result, OpenDNA (UK) Limited became a wholly-owned subsidiary of the Company at that date.

Details of the purchase acquisition and net assets acquired are as follows:

	\$
40,656,903 fully paid shares in the capital of the Company issued to the shareholders of OpenDNA (UK) Limited, valued at 10 cents per share	4,065,690
7,826,627 fully paid shares in the capital of the Company issued to advisors of OpenDNA (UK) Limited, valued at 10 cents per share	782,663
Treasury shares	17,163
	<u>4,865,516</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	As at 5 August 2016 \$
Cash	266,635
Other receivables	11,088
Tax receivable (R&D rebate receivable)	78,886
Property, plant and equipment (Note 10)	8,043
Website development (Note 11)	4,371
Other creditors and accruals	(215,139)
Deferred tax liability	(2,482)
	<u>151,402</u>
Excess consideration paid over net assets acquired	4,714,114
	<u><u>4,865,516</u></u>

The accounting treatment for the acquisition of OpenDNA (UK) Limited has been determined at the end of the reporting period.

As noted in Note 11, during the period, an independent valuation was obtained to provide an opinion on the fair market value of OpenDNA (UK) Limited's Intangible Assets. The valuation report specifically complies with the Australian Accounting Standard AASB 3 *Business Combinations*. Based on the valuation of the identifiable intangible assets, the Purchase Price Allocation per the valuation report is summarised in the table below:

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 17: Business combination (continued)

	\$
Purchase consideration	4,865,516
<i>Comprised of:</i>	
Net tangible assets acquired	147,031
Net intangible assets acquired (Note 11)	4,371
Identifiable intangible assets acquired (Note 11)	2,697,933
Residual goodwill (Note 11)	2,016,181
	4,865,516

Net cash inflow arising on acquisition

Cash consideration	-
Less: Net cash acquired with the subsidiary	266,635
Net cash inflow – investing activities	266,635

Impact of acquisition on the results of the Group

If the combination had taken place at the beginning of the year, the loss of the Group would have been increased by \$55,602, being the loss that OpenDNA (UK) Limited incurred for the period 1 July 2016 to 5 August 2016.

Note 18: Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain premises. These leases have an average life of 2 ½ years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under the operating leases as at 30 June 2017 are as follows:

	\$
Within one year	149,107
After one year but not more than five years	168,308
More than five years	-
	317,415

30 June 2017	Weighted average interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	%	\$	\$	\$	\$	\$
Finance lease liabilities	0%	12,426	24,851	111,830	168,308	-

Capital commitments

As at 30 June 2017 the Group has no capital commitments.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 19: Related party disclosure

Parent entity

OpenDNA Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Subsidiaries

Interests in subsidiaries are set out in Note 20 below.

Key management personnel compensation

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	\$
Short-term employee benefits	1,097,368
Post-employment benefits	20,425
Other long-term benefits	-
Termination benefits	66,609
Share-based payment	608,967
	<u>1,793,369</u>

During the year ended 30 June 2017, no share options were exercised by, and no loans were made to, key management personnel.

Key management personnel transactions

Related party transactions with key management personnel are described below. These payments were made based on normal commercial terms and conditions.

	\$
<i>The following payments were paid to Murcia Pestell Hillard Pty Ltd, a company related to Mr. G Pestell:</i>	
- provision of legal services in relation to the Company listing on the ASX ¹	277,979
- provision of general legal services	182,987
- rent for the provision of serviced office space	10,290
	<u>471,256</u>

¹ included in the balance of \$277,979 is an amount of \$150,000, which was converted to ordinary shares (at a price of \$0.10 per share). The 1,500,000 ordinary shares are held by Digrevni Investments Pty Ltd ("Digrevni"), as nominee for Murcia Pestell Hillard Pty Ltd.

The following payment was paid to Artemis Corporate Limited, a company related to Mr. G Pestell:

- provision of business development and advisory services	<u>70,000</u>
---	---------------

The following payments were paid to The Small Business Force, LLC, a company related to Mr. L Sciambi:

- provision of business development and general advisory services	<u>85,532</u>
---	---------------

The following payments were paid to Sante Holdings Pty Ltd, a company related to Mr. E Cross:

- provision of financial and corporate advisory services	<u>22,000</u>
--	---------------

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 20: Interests in subsidiaries

Details of subsidiaries held are described below.

Transactions with subsidiaries

The consolidated financial statements include the financial statements of OpenDNA Limited and the subsidiaries listed in the following table.

Name of entity	Country of incorporation	2017	2017
		Equity interest %	Investment \$
OpenDNA (UK) Limited ¹	United Kingdom	100	4,865,516
OpenDNA (Singapore) Pte Ltd ²	Singapore	100	98

¹ Refer to note 17. On 5 August 2016, the Company entered into individual Share Sale Deeds with each of the shareholders of OpenDNA (UK) Limited, a UK registered company, to acquire 100% of the issued share capital of that company. As a result, OpenDNA (UK) Limited became a wholly-owned subsidiary of the Company at that date.

² OpenDNA (Singapore) Pte Ltd was incorporated on 17 September 2016 as a private company limited by shares.

Subsequent to the reporting date, the Company incorporated a wholly owned subsidiary called OpenDNA Inc, incorporated in the state of Delaware, USA.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

Details of transactions between the Group and other related entities are disclosed below.

Trading transactions

The following balances were outstanding at the end of the reporting period.

	2017	2017
	Amounts owed by related parties \$	Amounts owed to related parties \$
Murcia Pestell Hillard Pty Ltd, a company related to Mr. G Pestell	-	12,890

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 21: Parent entity disclosures

Financial position

	\$
<u>Assets</u>	
Current assets	3,351,394
Non-current assets – equipment	2,579
Non-current assets – investments in and loans to, subsidiaries	3,250,791
Total assets	<u>6,604,764</u>
<u>Liabilities</u>	
Current liabilities	73,702
Non-current liabilities	-
Total liabilities	<u>73,702</u>
Net assets	<u><u>6,531,062</u></u>
<u>Equity</u>	
Issued capital, net of capital raising costs	13,646,581
Share-based payments reserve	721,506
Accumulated losses	(7,837,025)
Total equity	<u><u>6,531,062</u></u>

Financial performance

Loss for the year	(7,837,025)
Other comprehensive loss	-
Total comprehensive loss	<u><u>(7,837,025)</u></u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
OpenDNA Limited has not entered into any cross guarantees with any of its subsidiaries.

Contingent liabilities of the parent entity

As at 30 June 2017 the Company has no contingent liabilities.

Capital commitments

As at 30 June 2017 the Company has no capital commitments.

Notes to the financial statements (continued)

For the year ended 30 June 2017

Note 22: Auditor's remuneration

The auditor of OpenDNA Limited is HLB Mann Judd.

	\$
<i>Auditor of the parent entity</i>	
Audit or review of the financial statements	26,000
Investigating Accountant's Report for inclusion in the IPO prospectus	12,500
Taxation services in relation to acquisition of OpenDNA (UK) Limited	5,400
Indirect-taxation services	3,000
	<u>46,900</u>
<i>Network firm of the parent Company auditor</i>	
Audit or review of the financial statements of OpenDNA (UK) Limited	<u>16,384</u>

Note 23: Events subsequent to the reporting date

Other than what has been disclosed in the financial report above, there have been no other material matters arising subsequent to the end of the financial year.

Directors' declaration

1. In the opinion of the directors of OpenDNA Limited (the 'Company'):
 - a. the accompanying financial statements and notes 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 2017 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - 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.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

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



Jay Shah

Director

Dated: 28 September 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of OpenDNA Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of OpenDNA Limited ("the Company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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:

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(e) in the financial report, which indicates the existence of a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Key Audit Matter
How our audit addressed the key audit matter

Accounting for the acquisition of OpenDNA (UK) Limited

Note 17 of the financial report

During the year, the Group announced the acquisition of OpenDNA (UK) Limited for purchase consideration of \$4,865,516. This is considered a significant transaction for the Group.

The Group has determined that the acquisition constituted a business combination. Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of the purchase consideration to separately identifiable intangible assets and goodwill. The Group also assessed the Cash Generating Unit to which the acquired intangible assets belong and obtained an independent valuation of the intangibles as noted in Note 11 of the financial report. As a result of this, an impairment charge of \$2,528,788 was recorded for the year ended 30 June 2017.

We consider the acquisition to be a key audit matter due to the size of the acquisition and the estimation process involved in accounting for the acquisition.

Our procedures included but were not limited to the following:

- We read the share sale deeds to understand the key terms and conditions of the acquisition;
 - We assessed the appropriateness of OpenDNA (UK) Limited's asset and liability balances on acquisition date to ensure they are not materially misstated;
 - We recalculated the value of the consideration paid to ensure it was not materially misstated;
 - We assessed the allocation of the consideration paid to the fair value of acquired assets and liabilities, in particular separately identifiable intangible assets and goodwill;
 - We assessed management's determination of the Group's Cash Generating Unit to which the acquired intangible assets belong;
 - We read the independent valuation report on the Group's intangibles and tested the assumptions and methodologies used by the valuer; and
 - We assessed the adequacy of the Group's disclosures in respect to the acquisition and impairment expense.
-

Information other than the financial report and auditor's report thereon

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 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of OpenDNA Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 September 2017



L Di Giallonardo
Partner

Additional securities exchange information

For the year ended 30 June 2017

The shareholders information set out below was applicable as at 22 September 2017.

(a) Distribution of equity securities

The following is a distribution schedule for fully paid ordinary shares:

Range	Total holders	Units	% of Issued Capital
1 - 100	3	11	0.00
101 - 1,000	2	1,375	0.00
1,001 - 10,000	66	514,720	0.49
10,001 - 100,000	219	10,122,854	9.63
100,001 - 1,000,000	77	23,574,761	22.43
1,000,001 - 9,999,999,999	15	70,869,819	67.44
Rounding			0.01
Total	382	105,083,540	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$0.13 per unit	3,847	14	28,322

(b) Equity security holders

The following is a listing of the top 20 holders of fully paid ordinary shares.

Rank	Name	Units	% of Units
1.	MR JAY SHAH	26,634,406	25.35
2.	NVFAM INVESTMENTS PTY LTD <NVFAM INVESTMENT A/C>	7,500,000	7.14
3.	MR STEWART WILKINSON	6,365,244	6.06
4.	CDC PROSSER PTY LTD <CDC PROSSER FAMILY A/C>	5,000,000	4.76
5.	MR JOHN ZACCARIA + MS NOELEEN {RADALI-ZACCARIA} <ZACCARIA SHARE A/C>	4,250,000	4.04
6.	MR GEORGE IRWIN	4,151,485	3.95
7.	VLADO BOSANAC	3,850,000	3.66
8.	DIGREVNI INVESTMENTS PTY LTD <DIGREVNI A/C>	2,500,000	2.38
9.	NCMAO INVESTMENTS PTY LTD <NCMAO INVESTMENT A/C>	2,500,000	2.38
10.	MS SOPHIE DAHAN	2,064,497	1.96
11.	PELLICCIONE SF PTY LTD <PELLICCIONE S/F A/C>	1,344,734	1.28
12.	HARLIN PTY LTD <DOUGLAS SUPERANNUATION A/C>	1,250,000	1.19
13.	P & D HENSON PTY LTD <SUPER FUND A/C>	1,250,000	1.19
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,121,289	1.07
15.	MR BEN GILL	1,088,164	1.04
16.	MR KEVIN FELL	1,000,000	0.95
17.	AJITKUMAR SHAH	1,000,000	0.95
18.	AMPAC DEVELOPMENTS PTY LTD <THE AMPAC DEVELOPMENTS A/C>	900,000	0.86
19.	AUSTRALIAN GYPSUM INDUSTRIES PTY LTD	750,000	0.71
20.	J P MORGAN NOMINEES AUSTRALIA LIMITED	740,690	0.70
Totals: Top 20 holders of ORDINARY SHARES (GROUPED)		75,260,509	71.62
Total Remaining Holders Balance		29,823,031	28.38

The following unlisted options are on issue:

Number of Options	Number of holders	Option Terms
5,200,000	4	Options exercisable at \$0.30 expiring 9 September 2019
3,900,000	4	Options exercisable at \$0.35 expiring 30 June 2021
3,900,000	4	Options exercisable at \$0.40 expiring 30 June 2023
2,000,000	3	Options exercisable at \$0.30 expiring 11 November 2020
1,800,000	1	Options exercisable at \$0.30 expiring 18 January 2020
600,000	1	Options exercisable at \$0.35 expiring 18 January 2021
600,000	1	Options exercisable at \$0.40 expiring 18 January 2022
750,000	2	Options exercisable at \$0.30 expiring on 30 June 2020 which vest on 1 January 2018
750,000	2	Options exercisable at \$0.30 expiring on 30 June 2021 which vest on 30 June 2018
750,000	2	Options exercisable at \$0.35 expiring on 30 June 2022 which vest on 30 June 2019
750,000	2	Options exercisable at \$0.40 expiring on 30 June 2023 which vest on 30 June 2020
21,000,000		

The following Performance Shares are on issue:

Number of Performance Shares	Number of holders	Performance Share Terms
12,400,000	3	Class A Performance Shares
12,400,000	3	Class B Performance Shares
10,200,000	3	Class C Performance Shares
35,000,000		

(c) Restricted Securities

The following are restricted securities currently on issue:

- 42,482,621 Fully Paid Ordinary Shares escrowed to 16 November 2018
- 11,200,000 Class A Performance Shares escrowed to 16 November 2018
- 11,200,000 Class B Performance Shares escrowed to 16 November 2018
- 9,100,000 Class C Performance Shares escrowed to 16 November 2018
- 5,200,000 Options exercisable at \$0.30 expiring 9 September 2019
- 3,900,000 Options exercisable at \$0.35 expiring 30 June 2021
- 2,000,000 Options exercisable at \$0.30 expiring 11 November 2020

(d) Voting rights

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option holders and Performance Share Holders have the right to attend meetings but have no voting rights until the options are exercised.

(e) Substantial holders

The following shareholders have lodged substantial shareholder notices with the Company:

- Mr Jay Shah, holding 26,624,406 shares representing 25.35% of the total shares on issue.
- NVFAM Investments Pty Ltd <NVFAM Investment A/C>, holding 7,500,000 shares representing 7.14% of the total shares on issue.
- Mr Stewart Wilkinson, holding 6,365,244 shares representing 6.06% of the total shares on issue.

(f) Use of Funds

In accordance with ASX Listing Rule 4.10.9, the Company confirms that it has used its cash and assets in a form readily convertible to cash that it had at the time of admission in a way that is consistent with its business objectives.

(g) Corporate governance statement

In accordance with ASX Listing Rule 4.10.3, the Company's Corporate Governance Statement can be found on its website at www.opendna.ai.