

# ComOps Limited 2017 Annual Report

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Directors	<p>Mr Niall Cairns - Non-Executive Chairman  Dr Phillip Carter - Non-Executive Director  Mr Neil Docherty - Non-Executive Director  Mr Matthew Michalewicz - Non-Executive Director</p>	
Chief executive officer	Mr Chris Fydler	
Company secretary	Mr Christopher Brooke	
Notice of annual general meeting	<p>The details of the annual general meeting of ComOps Limited are:  2:00 PM on Monday, 7 May 2018 The  offices of Grant Thornton  Level 17  383 Kent Street  Sydney NSW 2000</p>	
Registered office	<p>Level 16  132 Arthur Street  North Sydney NSW 2060  Tel: 1300 853 099 or 02 9923 8000  Fax: 02 9460 2236</p>	
Principal place of business	<p>Level 16  132 Arthur Street  North Sydney NSW 2060</p>	
Share register	<p>Automic Pty Ltd  Level 3  50 Holt Street  Surry Hills NSW 2010  Tel: 1300 288 664 or +61 2 9698 5414  Fax: +61 2 8583 3040</p>	
Auditor	<p>Grant Thornton Audit Pty Ltd  Level 17  383 Kent Street  Sydney NSW 2000</p>	
Bankers	<p>ANZ Bank New Zealand Limited  Level 16  242 Pitt Street  Sydney NSW 2000</p>	<p>HSBC Bank Plc  196 Oxford Street  London, W1D 1NF  United Kingdom</p>
Stock exchange listing	<p>ComOps Limited shares are listed on the Australian Securities Exchange (ASX code: COM)</p>	
Website	www.comops.biz	
Corporate Governance Statement	<p>The Corporate Governance Statement dated 27 February 2018 which was approved at the same time as the Annual Report can be found at  <a href="http://www.comops.biz/index.php/about/about-list-2/corporate-governance">http://www.comops.biz/index.php/about/about-list-2/corporate-governance</a></p>	

Dear fellow shareholders,

Following the growth and improving financial performance of your company over the last few years, 2017 year was a difficult, transformative year, as foreshadowed in the first half results and confirmed by the full year results. The full year accounts show that we have taken the steps required to restructure, rebalance and refocus your company. ComOps has entered the 2018 year as a leaner but properly resourced, customer focused group with a capable and well led management team positioned to deliver on its revised strategy and deliver positive results and growth in 2018.

Major events of the last year:

- New leadership team led by new CEO, Chris Fydler, who joined in June 2017
- Strategic reassessment undertaken in second half
- Business transformation driven in second half with >\$2m in annual expense reduction delivered
- Accounting policy decision made to write-off historical goodwill on acquisition and capitalised development (\$3.7m)
- The Loss and negative EBITDA (\$2 million) for the year reflected both the need for and the financial effect of the business transformation, intangible write-off and strategic reset
- The small fall in total revenue and other income to \$9.5m (Sales revenue down 6.7% to \$8.8m) reflects the ongoing shift to recurring SAAS revenue and the resulting reduction in up-front license revenue, plus a slight fall in implementation revenue.
- Recurring revenue (subscription, support, etc.) increased 4% to over \$6.25 million (>66% of revenue)
- Cash balances increased in the second half and all loans and finance facilities repaid (Debt free at year end)
- Raised \$1.9 million in new equity, by placement and rights issue from existing and new investors
- ComOps "Revision of Strategy" developed in late 2017 and announced in January 2018

ComOps Limited \$'000						
	2012	2013	2014	2015	2016	2017
<b>Total Revenue and other income</b>	4,606	5,959	6,227	9,124	10,019	9,445
License revenue	1,522	1,112	209	502	632	301
Recurring revenue	2,020	2,248	3,100	5,152	6,008	6,251
<b>EBITDA</b>	<b>(4,137)</b>	<b>(2,212)</b>	<b>(2,002)</b>	<b>(924)</b>	<b>67</b>	<b>(2,097)</b>

During the year significant resources were devoted to the new and enhanced ComOps WFM ports solution and the first project implementation in a Middle East port. This successful installation had the potential to lead to a global agreement with the ports operator, which is a leading global port operator, and a multi-year order book. Unfortunately, as advised in late 2017, we did not win the global tender. This lead us to reassess ComOps' ports strategy, which has been put on hold and enabled significant resources to be refocused on our core customers and industries.

Chris Fydler, joined as Chief Executive Officer in June 2017. Since then he has led a significant transformation of ComOps including reducing the expense base, driving clarity within the organisation, re-aligning management structure and reporting, upgrading infrastructure to enable the delivery of better performance, security and redundancy for our customers, moving the innovation agenda forward, refocusing the business on our core industries and above all focusing on customers and their needs. The transformation is significant and has provided the base for the "Revision of Strategy".

The "Revision of Strategy" was developed in late 2017 and announced in January 2018. It is clear and focused on ComOps concentrating its resources, capital and innovation on providing innovative and flexible workforce management solutions (ComOps WFM, Microster and Rostima) in three core areas/industries:-

- Retail, hospitality and education
- Transport and logistics, and
- Aviation and security

We are excited by the opportunities we have to deliver upgraded and new solutions to our existing customers and of course new customers. Our existing global customer base is enviable and offers good growth prospects, as do the industries we serve in Australia, New Zealand and globally.

In addition, over the coming months ComOps will be further refining its growth strategy and taking steps to be positioned as a wider Human Capital Management solutions provider. This is expected to increase the opportunity for ComOps in both the scope of solutions sold to customers and market.

Though the 2017 year did not deliver the forecast or expected results and developments, we believe that the transformation of your company and the new management team has delivered a ComOps entering the new year in the best shape it has been for many years. It is lean, properly resourced, customer focused, innovative and financially driven. Above all we are encouraged by the leadership of our CEO, Chris Fydler, the culture he is creating and the clarity and focus he is driving through. They are positioned to execute the revised strategy and deliver positive results and growth in 2018.

Finally, we wish to thank all shareholders for their support, especially for the new capital invested in late 2017, which provides the directors and management with endorsement for the transformation delivered and encouragement for executing on the plans for the coming year.



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Niall Cairns  
Non-Executive Chairman

27 February 2018  
Sydney

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of ComOps Limited (referred to hereafter as the 'company', 'ComOps' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2017.

### **Directors**

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

Mr Niall Cairns	Non-Executive Chairman
Dr Phillip Carter	Non-Executive Director
Mr Neil Docherty	Non-Executive Director
Mr Matthew Michalewicz	Non-Executive Director

### **Principal activities**

During the financial year, the principal activities of the consolidated entity consisted of the provision of workforce management software and optimisation solutions. Initially developed to simplify the highly complex labour force environments of Australian and New Zealand, today the consolidated entity provides these solutions to enterprises globally who are looking to simplify complex working environments and gain greater efficiency and transparency of their workforces. It specialises in interpreting Award Wages and Enterprise Bargaining Agreements and equivalent structures.

### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

### **Review of operations**

The consolidated entity welcomed the appointment of Mr Chris Fydler as the new Chief Executive Officer during the year ending 31 December 2017, following the announcement of the retirement of Gerry Williams. As highlighted in the half year report, the new CEO commenced a detailed review of the consolidated entity in the second half of year ended 31 December 2017 and as a result of this review, the board of directors and management decided to refocus its resources, capital and innovation on the company's core business of providing innovative and flexible workforce management solutions in the three core areas of:

- Retail, hospitality and education
- Transport and logistics
- Aviation and security.

As part of the review, a decision was made to suspend the company's ports growth strategy and direct the group's resources on growth in the key industry areas highlighted above.

A further decision during the year ending 31 December 2017 was made to change the accounting policy to report three cash generating units (CGUs), reflecting the key industry areas, rather than a single CGU. The change was necessary to provide shareholders and stakeholders a better understanding of the strengths of the consolidated entity. A review of the carrying value of goodwill and intangibles of the three CGUs in the first half of year ended 31 December 2017 in line with Australian Accounting Standards, resulted in a non-cash impairment charge of \$1,836,347. The directors approved this recommendation in line with the necessary compliance with AAS and decided to write-off the capitalised development and goodwill on acquisition of the transport CGU.

A reassessment of the carrying value of goodwill and intangibles of the three CGUs in the second half of year ended 31 December 2017 has been conducted in line with Australian Accounting Standards, resulting in a non-cash impairment charge of \$782,292.

The successful capital raising in the second half of year ending 31 December 2017 along with the continuing range of initiatives aimed to reduce expenditure, in key overhead expense areas of IT and occupancy, is expected to deliver a significant turnaround in operations, which will deliver positive returns to all stakeholders and shareholders.

The loss for the consolidated entity after providing for income tax amounted to \$6,507,913 (31 December 2016: \$655,048).

The earnings before interest, tax, depreciation and amortisation ('EBITDA'), adjusted for impairment, was a loss of \$2,079,174 (2016: profit of \$65,436).

EBITDA represents the profit determined under the Australian Accounting Standards ('AAS') but adjusted for non-specific, non-cash and significant items. The directors consider Adjusted EBITDA to reflect the core earnings of the consolidated entity.

Highlights of the consolidated entity's financial statements covering the year ended 31 December 2017 are as follows:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Sales revenue	8,745,662	9,376,381
Loss after tax for the year	(6,507,913)	(655,048)
Add: depreciation and amortisation	877,775	940,742
Add: impairment and write off of assets	3,671,493	-
Less: interest revenue	(2,991)	(9,559)
Add: finance costs	147,687	38,640
Less: tax benefit	(265,225)	(249,339)
Adjusted EBITDA	<u>(2,079,174)</u>	<u>65,436</u>

#### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

#### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

#### Likely developments and expected results of operations

The revision of ComOps' strategy, subsequent realignment of operations and new cost base along with the successful capital raising in late FY 2017, is expected to deliver a positive EBITDA for FY 2018, and allow the operations to become cash self-generating.

The company's industry specific solutions and expertise, will enable the consolidated entity to foster growth with our long-term customer base and position us well to acquire the market opportunities that are available in these segments. It is our intention to accelerate our innovation for these industries to create the most flexible, easy to use and feature rich workforce management solution for our customers.

The board of directors and management believe ComOps enters 2018 in the strongest position it has been in some time and are committed to developing the company into a sustainably profitable growing company.

#### Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

Name:	Niall Cairns
Title:	Non-Executive Chairman
Qualifications:	Niall holds a bachelor of economics (BEc) and is a Chartered Accountant (CA) and Fellow of the Institute of Company Directors (FAICD).
Experience and expertise:	Niall is a joint managing director and co-founder of Kestrel Capital Pty Limited, a private equity manager founded in 1993 based in Sydney, which is focused on growth companies with global opportunities in the technology, resources, niche manufacturing and services sectors. Niall has over 25 years of direct seed, private equity and listed company experience. He has raised six funds and led the investments in, and been a director of, companies such as Australian Helicopters, Avand (sold to Technology One), GMD (sold to SMS), Gale Pacific (AVCAL award winner) and Intrapower (sold to TPG Telecom).
Other current directorships:	Tru-Test Corporation Limited, Kestrel Growth Companies Limited, Chant West Holdings Limited and Atcor Medical Limited.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and member of the Audit Committee.
Interests in shares:	296,814,785 ordinary shares held indirectly
Interests in options:	10,000,000 options held indirectly
Interests in rights:	None
Contractual rights to shares:	None
Name:	Dr Phillip Carter
Title:	Non-Executive Director
Qualifications:	Phillip holds a doctorate and bachelor degree in engineering (PhD, BEng) and a masters degree in finance (MAppFin). He is also a Fellow of the Institute of Company Directors (FAICD) and a Senior Fellow of the Financial Services Institute (SF Fin).
Experience and expertise:	Phillip is a joint managing director of Kestrel Capital Pty Limited. He has extensive experience developing and financing technology rich industrials in Australia, Europe and the United States of America. Recently, as chairman of Prism Group Holdings (a developer of enterprise management information systems software), he led the restructure and turnaround of its global operations and subsequent sale of the business to a US competitor, delivering significant returns to investors. Previously, Phillip headed a leading United Kingdom technology consulting and investment advisory practice and managed the InterTechnology Fund, recognised by the European Private Equity and Valuations Capital Association (EVCA) as one of the most active development capital funds in Europe.
Other current directorships:	Kestrel Growth Companies Limited and Chant West Holdings Limited.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and Chairman of the Audit Committee.
Interests in shares:	176,901,077 ordinary shares held indirectly
Interests in options:	10,000,000 options held indirectly
Interests in rights:	None
Contractual rights to shares:	None



**Name:** Neil Docherty  
**Title:** Non-Executive Director  
**Qualifications:** Saint Columba's College Greenock, Scotland, Glasgow University and MBA from University of Southern California, Berkley Business School Executive MBA Program.  
**Experience and expertise:** Neil has more than 45 years of leadership experience in Business Management and Information Technology, of which the last 20 have been spent as an Owner, Board Member and CEO in the Business Consulting, Information Technology and Telecommunications and Professional Services Industries. Neil was CEO of DMR Consulting, a \$120 million, 1,000 person organisation and an Executive General Manager of Fujitsu Australia Limited. He has also started his own technology services company which he sold to a NASDAQ listed organisation. Most recently he has consulted as an Advisory Board Member to the Birchman Group (recently acquired by SMS), SigNav (a world class precision signalling developer acquired by leading Swiss organisation u-Blox) and Avand Limited (an Australian Content Management Company acquired by Technology One). Neil brings to ComOps a strong background in management, go-to-market strategies, sales, and services management.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chairman of the Nomination and Remuneration Committee and member of the Audit Committee.  
**Interests in shares:** None  
**Interests in options:** None

**Name:** Matthew Michalewicz  
**Title:** Non-Executive Director  
**Qualifications:** Matthew holds a bachelor of science in business administration, with a concentration in finance and has completed the Australian Institute of Company Directors' course.  
**Experience and expertise:** Matthew has more than 20 years of experience in starting and running high-growth tech companies, especially in the areas of predictive analytics and optimisation. He is currently the CEO of Complexica (a provider of Artificial Intelligence software for helping large organisations increase revenue, margin, and customer engagement through automated analytics). From 2005-2012, Matthew was the co-founder and CEO of SolveIT Software (a supply chain optimisation business he grew from zero to almost 180 employees and \$20 million in revenue before selling the business to Schneider Electric). Under his leadership, SolveIT Software became the 3rd fastest-growing company in Australia in 2012, as ranked by Deloitte.

**Other current directorships:** Prophecy International Ltd  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Nomination and Remuneration Committee and member of the Audit Committee.  
**Interests in shares:** 3,137,500 ordinary shares  
**Interests in options:** None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### **Company secretary**

Christopher Brooke ('Chris') is ComOps' Chief Financial Officer and Company Secretary. An experienced finance professional, Chris has worked in senior roles with a range of ASX listed companies over his 25 year career, including KPMG and Boral Energy Resources Ltd as well as the Adelaide companies Suburban Transport Services and FH Faulding Ltd. Prior to joining ComOps, Chris was formerly the Group Chief Financial Officer for Razor Risk Technologies Ltd, whom he had been with since 2007. Chris assisted with the successful sale of the business to the Toronto and Montreal Stock Exchange (TMX) prior to joining ComOps in April 2012.

Chris has a proven track record in driving cost management, cash control and staff utilisations. He also has strengths in finance negotiations, liaison with sales teams and enhancement of management and board reporting information.

Chris holds a bachelor degree in economics (BEC) and has a Masters of Business Administration (MBA) and is both a fellow member of CPA Australia (CPA) and the Institute of Chartered Secretaries and Administrators (London) (ICSA). Chris has recently successfully completed the Australian Institute of Company Directors course and is a Justice of the Peace.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2017, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Niall Cairns	18	18	9	10	5	5
Phillip Carter	17	18	10	10	5	5
Neil Docherty	17	18	10	10	4	5
Matthew Michalewicz	17	18	9	10	4	5

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

### Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

### Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') and in particular the Nomination and Remuneration Committee ('NRC') are engaged in the progressive refinement of reward policy and practice consistent with good governance in ensuring that executive reward satisfies the following key criteria:

- competitiveness and reasonableness;
- acceptability to shareholders;
- linked to performance; and
- is transparent.

The function of the NRC is currently carried out by the full Board, due to the size of the Board. The NRC is responsible for determining and reviewing remuneration arrangements for its directors and executives. The consolidated entity's remuneration policy has been developed to enable it to attract, motivate and retain high quality executives. The NRC has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the KMP on key drivers of sustainability and value creation; and
- attracting and retaining high calibre KMPs.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

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

#### *Non-executive directors, remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees are reviewed annually by the NRC. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the market. The chairman is not present at any discussions relating to the determination of his own remuneration. Obligations required to be met in compliance with the Superannuation Guarantee legislation are incorporated within Board approved fees for all non-executive directors.

In accordance with the constitution of the company, shareholders determine the aggregate remuneration of the non-executive directors. The maximum aggregate remuneration for non-executive directors is currently \$500,000 per annum. The directors determine the allocation of the aggregate remuneration, or part thereof, between themselves.

There are no schemes or provisions for retirement benefits for non-executive directors.

#### *Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:

- Fixed remuneration – salary, employee benefits and superannuation contributions;
- Annual incentive – payments aligned to both the consolidated entity and the individual's performance assessed annually; and
- Equity – share options/performance rights granted under the company's approved incentive plans.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the NRC based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

#### *Short-term incentives ('STI')*

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include revenue, staff utilisations and costs; and profit and cash flow.

#### *Long term incentives ('LTI')*

A select number of senior executives and managers have been granted options over shares in the company which are available to be exercised after defined periods of service. The exercise price of options in all instances have been set at a premium to the prevailing share price at the time of award. In this manner, the Board believes that executive reward is aligned to share price growth and further under the program and recent grants the executive only benefits if the share price increases, which in turn benefits all shareholders.

The LTI plan presently incorporates the granting of options and/or performance rights and has been established in order to:

- align employees reward with growth in the enterprise value;
- assist in the retention and motivation of employees of the consolidated entity; and
- provide an incentive to directors and executives of the consolidated entity to grow shareholder value by providing them with an opportunity to receive an ownership interest in the company.

#### *Consolidated entity performance and link to remuneration*

The Board refers to the consolidated entity and KMP performance when determining incentive payments. STI and LTI are based on measures outlined above.

The following incentive plans have been established by the consolidated entity and approved by shareholders at a general meeting held on 17 November 2014:

- Employee share option plan (option plan) under which eligible employees may be offered the opportunity to be granted options; and
- Employee performance rights plan (performance rights plan) under which eligible employees may be offered the opportunity to be granted performance rights.

An eligible employee includes a director, senior executive or employee of the consolidated entity or an associated body corporate of the consolidated entity.

The Board may, in its absolute discretion, invite an eligible employee to participate in the option plan or performance right plan. Shareholder approval is required before a director or related party of the company can participate in an issue of options under the option plan or an issue of performance rights under the performance rights plan. No grant under the LTI plan would be made to a director or a related party of a director without prior shareholder approval. The Board are not proposing any such award for the year ending 31 December 2017.

#### *Related party payments*

A number of directors are associated with shareholders or entities which provide services to the consolidated entity. Those services are requested by management and are authorised by the Board both prior to the provision of those services and following receipt of invoices outlining the provision and cost of services. Board approval follows a sign-off from the Chief Executive Officer and the related party is absented from the authorisation process. Related party arrangements are reviewed annually by the Chair of the NRC and a recommendation made to the Board. These related party transactions primarily relate to Kestrel Capital Pty Limited and its affiliates, associated with Niall Cairns and Phillip Carter. Refer to 'Additional disclosures relating to KMP' section below for further details.

#### *Use of remuneration consultants*

During the financial year ended 31 December 2017, the consolidated entity did not engage any remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

#### *Voting and comments made at the company's 2017 Annual General Meeting ('AGM')*

At the 2017 AGM, 88.92% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### *Details of remuneration*

##### *Amounts of remuneration*

The KMP of the consolidated entity consisted of the following directors of ComOps Limited:

- Niall Cairns (Non-Executive Chairman)
- Phillip Carter (Non-Executive Director)
- Neil Docherty (Non-Executive Director)
- Matthew Michalewicz (Non-Executive Director)

And the following persons:

- Chris Fydler (Chief Executive Officer) (appointed on 26 June 2017)
- Gerry Williams (Chief Executive Officer) (resigned on 31 October 2017)
- Christopher Brooke (Chief Financial Officer and Company Secretary)

Details of the remuneration of KMP of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Bonus payable \$	Consulting \$	Super-annuation \$	Employee leave \$	Equity-settled \$	
<b>2017</b>							
<i>Non-Executive Directors:</i>							
N. Cairns	90,000	-	-	-	-	-	90,000
P. Carter	65,000	-	12,500	-	-	-	77,500
N. Docherty	65,000	-	-	-	-	-	65,000
M. Michalewicz	60,000	-	-	-	-	-	60,000
<i>Other KMP:</i>							
Chris Fydler(i), (iv)	173,942	-	-	12,500	164	-	186,606
G. Williams(i), (ii)	234,383	83,250	-	29,167	-	-	346,800
C. Brooke (iii)	210,000	15,000	-	20,644	12,733	-	258,377
	<u>898,325</u>	<u>98,250</u>	<u>12,500</u>	<u>62,311</u>	<u>12,897</u>	<u>-</u>	<u>1,084,283</u>

- (i) Represents remuneration from the date of appointment or up to the date of resignation.
- (ii) During the first quarter of the year ended 31 December 2017, the 2017 Incentive Plan for the then Chief Executive Officer, Mr Williams, was implemented. The STI payment was based upon the same quantitative criteria as agreed for the 2016 CEO Remuneration Plan with an additional qualitative item added relating to the quality of the handover to the new CEO. Following Mr Williams' announcement of his retirement, a minimum payment of 50% of the quantitative STI target to 31 October 2017 of \$112,500 was guaranteed (\$56,250) for the 2017 year. The total bonus of \$83,250 was paid comprising of \$56,250 which related to the achievement of the quantitative STI targets and \$27,000 which related to the achievement of the agreed qualitative KPIs.
- (iii) Mr Brooke received a discretionary bonus of \$15,000 in recognition of good work performed during the year ended 31 December 2016.
- (iv) Mr Fydler was granted 34,000,000 performance rights subsequent to year end; however, no expenses were taken up in relation to the performance rights during the year ended 31 December 2017.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Bonus payable \$	Consulting \$	Super-annuation \$	Employee leave \$	Equity-settled \$	
<b>2016</b>							
<i>Non-Executive Directors:</i>							
N. Cairns	90,000	-	17,250	-	-	-	107,250
P. Carter	65,000	-	8,500	-	-	-	73,500
N. Docherty	65,000	-	-	-	-	-	65,000
M. Michalewicz(i)	50,000	-	-	-	-	-	50,000
A. Roberts(i)	20,000	-	16,500	-	-	-	36,500
<i>Other KMP:</i>							
G. Williams(ii)	280,519	135,000	-	35,000	1,971	-	452,490
C. Brooke	200,000	-	-	19,950	2,927	-	222,877
	<u>770,519</u>	<u>135,000</u>	<u>42,250</u>	<u>54,950</u>	<u>4,898</u>	<u>-</u>	<u>1,007,617</u>

- (i) Represents remuneration from the date of appointment or up to the date of resignation.
- (ii) Bonus of \$135,000 comprises \$67,500 for achievement of agreed KPIs for 1H2016 and \$67,500 for achievement of agreed KPIs for 2H2016. Mr Williams is eligible for a total of \$135,000 in bonuses for 2016. The targets for achieving the bonus include profit improvement, positive cash flow, growth in new business revenue measured by new license revenue and customer satisfaction measured by customer support revenue.

Mr Williams was granted 6,000,000 performance rights during the period; however, no expense was taken up in relation to the performance rights on the basis that the valuation model outputs used to determine the fair value at the grant date was negligible.

There have been no non-monetary benefits paid during the financial year.

Further details of share-based payments are outlined in note 29 to the financial statements.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
N. Cairns	100%	100%	-	-	-	-
P. Carter	100%	100%	-	-	-	-
N. Docherty	100%	100%	-	-	-	-
M. Michalewicz	100%	100%	-	-	-	-
<i>Other KMP:</i>						
C. Fydler	100%	-	-	-	-	-
G. Williams	76%	70%	24%	30%	-	-
C. Brooke	94%	100%	6%	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

During the first quarter of the year ended 31 December 2017, the 2017 Incentive Plan for the then Chief Executive Officer, Gerry Williams, was implemented. The STI payment is based upon the same quantitative criteria as agreed for the 2016 CEO Remuneration Plan with an additional qualitative item added relating to the quality of the handover to the new CEO. Following Mr William's announcement of his retirement, a minimum payment of 50% of the quantitative STI target to 31 October 2017 of \$112,500 was guaranteed (\$56,250) for the 2017 year.

During the year ended 31 December 2017, the Chief Financial Officer, Chris Brooke, received a discretionary cash bonus of \$15,000. The bonus was awarded at the discretion of the board and was not subject to any defined performance measures.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2017	2016	2017	2016
<i>Other Key Management Personnel:</i>				
G. Williams	60%	100%	40%	-
C. Brooke	100%	-	-	-



### Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

Name: Chris Fydler  
Title: Chief Executive Officer  
Agreement commenced: 26 June 2017  
Term of agreement: 30 June 2020  
Details: Base salary of \$360,000 and 6 month notice period. STI: Mr Fydler is not entitled to any short-term incentive. LTI: Mr Fydler is eligible to participate in the LTI plan, being 3.3% of the company's issued share capital, vesting over a period of three years and will be subject to performance conditions. The performance condition of achieving growth in the company's share price is aligned with shareholders' interests.

Name: Christopher Brooke  
Title: Chief Financial Officer and Company Secretary  
Agreement commenced: 1 February 2013  
Term of agreement: No fixed term  
Details: Base salary of \$210,000 and 12 month notice period.

KMP have no entitlement to termination payments in the event of removal for misconduct.

### Share-based compensation

Part of the remuneration package of the CEO and CFO contains the issue of options and share performance rights, that are subject to a time based performance hurdle and, in some cases, share price performance hurdles, which the directors believe reflects the stage of development of the company.

#### Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 31 December 2017.

#### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
G. Williams	1,891,345	01/10/2015	01/10/2015	30/09/2019	\$0.030	\$0.003
G. Williams	1,891,345	01/10/2015	01/10/2015	30/09/2019	\$0.030	\$0.003
G. Williams	1,891,345	01/10/2015	01/10/2016	30/09/2019	\$0.030	\$0.003
G. Williams	1,891,345	01/10/2015	01/10/2017	30/09/2019	\$0.030	\$0.003
C. Brooke	500,000	31/12/2015	31/12/2015	31/12/2019	\$0.030	\$0.002
C. Brooke	500,000	31/12/2015	31/12/2016	31/12/2019	\$0.030	\$0.002
C. Brooke	500,000	31/12/2015	31/12/2017	31/12/2019	\$0.030	\$0.002
C. Brooke	500,000	31/12/2015	31/12/2018	31/12/2019	\$0.030	\$0.002

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

The number of options over ordinary shares granted to and vested in directors and other KMP as part of compensation during the year ended 31 December 2017 are set out below:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
G. Williams	-	-	-	1,891,345
C. Brooke	-	-	500,000	500,000

#### Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting and exercisable period	Expiry date
C. Fydler - Tranche 1	6,000,000	20/02/2018	01/01/2018 - 31/12/2023	31/12/2023
C. Fydler - Tranche 2	6,000,000	20/02/2018	01/07/2018 - 30/06/2023	30/06/2023
C. Fydler - Tranche 3	6,000,000	20/02/2018	01/01/2019 - 31/12/2024	31/12/2024
C. Fydler - Tranche 4	5,000,000	20/02/2018	01/01/2019 - 31/12/2024	31/12/2024
C. Fydler - Tranche 5	6,000,000	20/02/2018	01/01/2020 - 31/12/2025	31/12/2025
C. Fydler - Tranche 6	5,000,000	20/02/2018	01/01/2020 - 31/12/2025	31/12/2025

The performance rights vest if Chris Fydler remains in employment during the vesting periods specified in the table above. The performance rights have an exercise price of nil cents and the rights will vest and become exercisable if the company's share price achieves the following value at any point in time during the respective vesting periods:

- (i) Tranche 1 - 2.5 cents
- (ii) Tranche 2 - 6.0 cents
- (iii) Tranche 3 - 3.0 cents
- (iv) Tranche 4 - 1.3 cents
- (v) Tranche 5 - 4.0 cents
- (vi) Tranche 6 - 1.3 cents

The performance condition of achieving growth in the company's share price is aligned with shareholders' interests.

Performance rights granted carry no dividend or voting rights.

During the year ended 31 December 2016, 6,000,000 performance rights were granted to Gerry Williams. The performance rights were forfeited during the year ended 31 December 2017 following the resignation of Gerry Williams.

#### Additional information

##### Consequence of performance on shareholders wealth

In considering the consolidated entity's performance and benefits for shareholder wealth, the Board have regard to the earnings of the consolidated entity and total shareholders return as summarised in the tables below.

The earnings of the consolidated entity for the five years to 31 December 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
(Loss)/profit after income tax	(6,507,913)	(655,048)	(3,787,102)	(2,701,102)	(7,944,166)



The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017	2016	2015	2014	2013
Share price at financial year end (\$)	0.01	0.01	0.02	0.02	0.04
Earnings per share (cents per share)	(0.87)	(0.09)	(0.61)	(0.69)	(4.74)

### Additional disclosures relating to KMP

#### Shareholding

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
N. Cairns(i)	126,727,339	-	170,087,446	-	296,814,785
P. Carter(ii)	110,085,168	-	66,815,909	-	176,901,077
M. Michalewicz	2,510,000	-	627,500	-	3,137,500
C. Fydler	-	-	5,300,550	-	5,300,550
G. Williams	2,000,000	-	-	(2,000,000)	-
C. Brooke	9,558,574	-	-	-	9,558,574
	<u>250,881,081</u>	<u>-</u>	<u>242,831,405</u>	<u>(2,000,000)</u>	<u>491,712,486</u>

- (i) Niall Cairns' shareholding is nominally held through his directorships of Kestrel Growth Companies Limited (holder of 167,620,731 shares), Kestrel Capital Pty Ltd (holder of 6,208,767 shares) and Carnethy Evergreen Pty Limited (holder of 122,985,287 shares).
- (ii) Phillip Carter's shareholding is nominally held through his directorships of Kestrel Growth Companies Ltd (holder of 167,620,731 shares), Kestrel Capital Pty Ltd (holder of 6,208,767 shares) and Granta Capital Pty Ltd (holder of 3,071,579 shares).

#### Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
N. Cairns	10,000,000	-	-	-	10,000,000
P. Carter	10,000,000	-	-	-	10,000,000
G. Williams*	7,565,380	-	-	(7,565,380)	-
C. Brooke	4,000,000	-	-	-	4,000,000
	<u>31,565,380</u>	<u>-</u>	<u>-</u>	<u>(7,565,380)</u>	<u>24,000,000</u>

\* Gerry Williams resigned on 31 October 2017. His options did not expire but he is no longer a KMP.

#### Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
G. Williams	6,000,000	-	-	(6,000,000)	-
	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>

*Other transactions with KMP and their related parties*

The loss for the financial year includes the following services purchased from directors or other KMP or their personally related entities other than remuneration, loans or equity holdings that have been separately detailed above:

- (i) \$2,000 of out-of-pocket expenses from Carnethy Investments Pty Ltd which is a consulting services company privately owned by Niall Cairns (2016: \$2,191).
- (ii) \$1,335 of out-of-pocket expense from Granta Capital Pty Ltd which is a consulting services company of which Phillip Carter is a director and shareholder (2016: \$911).
- (iii) \$2,316 of out-of-pocket expense from Chrysalis Professional Services Pty Ltd which is a consulting services company privately owned by Neil Docherty (2016: \$1,761).
- (iv) \$25,346 of out-of-pocket expense from Credibility Corporation Pty Ltd which is a consulting services company privately owned by Matthew Michalewicz (2016: \$14,342).
- (v) \$Nil of purchases from Field Solutions Pty Ltd which is an IT services provider of which Andrew Roberts is a major shareholder of Field Solutions Pty Ltd (2016: \$328,100). Andrew Roberts ceased to be a KMP following his resignation on 16 May 2016.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of ComOps Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
03/05/2013	30/06/2019	\$0.010	2,000,000
20/06/2013	30/06/2019	\$0.020	2,000,000
02/07/2013	30/06/2019	\$0.010	3,000,000
22/12/2014	18/11/2018	\$0.040	30,000,000
01/10/2015	30/09/2019	\$0.030	7,565,380
31/12/2015	31/12/2019	\$0.030	4,000,000
01/07/2016	30/06/2022	\$0.030	5,000,000
			<u>53,565,380</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares under performance rights**

Unissued ordinary shares of ComOps Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
20/02/2018	31/12/2023	\$0.000	6,000,000
20/02/2018	30/06/2023	\$0.000	6,000,000
20/02/2018	31/12/2024	\$0.000	6,000,000
20/02/2018	31/12/2024	\$0.000	5,000,000
20/02/2018	31/12/2025	\$0.000	6,000,000
20/02/2018	31/12/2025	\$0.000	5,000,000
			<u>34,000,000</u>

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no ordinary shares of ComOps Limited issued on the exercise of options during the year ended 31 December 2017 and up to the date of this report.

### Shares issued on the exercise of performance rights

There were no ordinary shares of ComOps Limited issued on the exercise of performance rights during the year ended 31 December 2017 and up to the date of this report.

### Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability 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.

### Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), 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 as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

### Officers of the company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

### Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Niall Cairns  
Non-Executive Chairman



---

Phillip Carter  
Non-Executive Director

27 February 2018  
Sydney

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## Auditor's Independence Declaration to the Directors of ComOps Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of ComOps Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M R Leivesley  
Partner - Audit & Assurance

Sydney, 27 February 2018

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**ComOps Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2017**



	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Revenue</b>	5	8,745,662	9,376,381
Other income	6	699,150	641,520
<b>Expenses</b>			
Materials - clocks		(126,016)	(187,882)
Employee benefits expense	7	(7,620,654)	(6,657,131)
Consultancy and legal fees		(831,586)	(589,350)
Directors' fees		(280,000)	(289,998)
Depreciation and amortisation expense	7	(877,775)	(940,742)
Impairment and write off of assets	7	(3,671,493)	-
Accounting and professional fees		(445,740)	(531,783)
Occupancy expenses		(461,499)	(361,520)
IT hosting expenses		(829,439)	(735,810)
Travel expenses		(252,924)	(259,446)
Other expenses		(673,137)	(329,986)
Finance costs		(147,687)	(38,640)
<b>Loss before income tax benefit</b>		(6,773,138)	(904,387)
Income tax benefit	8	265,225	249,339
<b>Loss after income tax benefit for the year attributable to the owners of ComOps Limited</b>		(6,507,913)	(655,048)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		350	65,138
Other comprehensive income for the year, net of tax		350	65,138
<b>Total comprehensive income for the year attributable to the owners of ComOps Limited</b>		<u>(6,507,563)</u>	<u>(589,910)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	28	(0.87)	(0.09)
Diluted earnings per share	28	(0.87)	(0.09)

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

	Note	Consolidated 2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		666,733	1,196,999
Trade and other receivables	9	931,066	1,334,515
Research and development rebate receivable		178,122	324,023
Work in progress		33,400	179,216
Prepayments		222,928	121,245
Total current assets		<u>2,032,249</u>	<u>3,155,998</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	100,300	174,526
Intangibles	11	2,894,016	7,107,418
Security deposits		172,305	200,825
Total non-current assets		<u>3,166,621</u>	<u>7,482,769</u>
<b>Total assets</b>		<u>5,198,870</u>	<u>10,638,767</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,019,436	1,523,407
Provisions	13	972,387	815,780
Deferred maintenance revenue		1,836,918	1,876,919
Total current liabilities		<u>3,828,741</u>	<u>4,216,106</u>
<b>Non-current liabilities</b>			
Deferred tax	14	866,159	1,173,328
Provisions		77,257	52,590
Total non-current liabilities		<u>943,416</u>	<u>1,225,918</u>
<b>Total liabilities</b>		<u>4,772,157</u>	<u>5,442,024</u>
<b>Net assets</b>		<u>426,713</u>	<u>5,196,743</u>
<b>Equity</b>			
Issued capital	15	38,290,678	36,553,145
Reserves	16	437,753	437,403
Accumulated losses		<u>(38,301,718)</u>	<u>(31,793,805)</u>
<b>Total equity</b>		<u>426,713</u>	<u>5,196,743</u>

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

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2016	36,553,145	372,265	(31,138,757)	5,786,653
Loss after income tax benefit for the year	-	-	(655,048)	(655,048)
Other comprehensive income for the year, net of tax	-	65,138	-	65,138
Total comprehensive income for the year	-	65,138	(655,048)	(589,910)
Balance at 31 December 2016	<u>36,553,145</u>	<u>437,403</u>	<u>(31,793,805)</u>	<u>5,196,743</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2017	36,553,145	437,403	(31,793,805)	5,196,743
Loss after income tax benefit for the year	-	-	(6,507,913)	(6,507,913)
Other comprehensive income for the year, net of tax	-	350	-	350
Total comprehensive income for the year	-	350	(6,507,913)	(6,507,563)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	1,737,533	-	-	1,737,533
Balance at 31 December 2017	<u>38,290,678</u>	<u>437,753</u>	<u>(38,301,718)</u>	<u>426,713</u>

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



		Consolidated	
	Note	2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		9,808,295	9,618,397
Payments to suppliers (inclusive of GST)		(12,182,404)	(10,597,723)
Interest received		2,991	10,559
Interest and other finance costs paid		(103,213)	(38,640)
Research and development grants		640,923	667,825
Net cash used in operating activities	27	(1,833,408)	(339,582)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	10	(17,200)	(43,746)
Payments for intangibles	11	(267,729)	(785,125)
Payments for security deposits		-	(9,624)
Net cash used in investing activities		(284,929)	(838,495)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of transaction costs		1,727,897	87,717
Net repayment of borrowings		(144,531)	(148,711)
Net cash from/(used in) financing activities		1,583,366	(60,994)
Net decrease in cash and cash equivalents		(534,971)	(1,239,071)
Cash and cash equivalents at the beginning of the financial year		1,196,999	2,436,070
Effects of exchange rate changes on cash and cash equivalents		4,705	-
Cash and cash equivalents at the end of the financial year		666,733	1,196,999

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

## Note 1. General information

The financial statements cover ComOps Limited ('company' or 'parent entity') as a consolidated entity consisting of ComOps Limited and the entities it controlled at the end of, or during, the year ('consolidated entity'). The financial statements are presented in Australian dollars, which is ComOps Limited's functional and presentation currency.

ComOps Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 16  
132 Arthur Street  
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2018. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Going concern

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

As at 31 December 2017 the consolidated entity had a working capital deficiency of \$1,796,492 (2016: \$1,060,108) and reported a net loss after tax for the year of \$6,507,913 (2016: \$655,048) and operating cash outflows of \$1,833,408 (2016: operating cash outflow of \$339,582) for the financial year.

The consolidated entity recorded negative operating cash flows for the full year as a result of continued accelerated investment in operating capability and significant technical development of the product. The successful capital raising in the second half of year ending 31 December 2017 along with the continuing range of initiatives aimed to reduce expenditure in key overhead expense areas is expected to deliver a positive EBITDA for FY 2018, and allow the operations to become cash generating and continue as a going concern.

Should the consolidated entity be unable to successfully achieve the forecast profitable growth in the business, then there is material uncertainty whether the consolidated entity could continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### Historical cost convention

The financial statements have been prepared under the historical cost convention.

## Note 2. Significant accounting policies (continued)

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ComOps Limited as at 31 December 2017 and the results of all subsidiaries for the year then ended. ComOps Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is ComOps Limited's functional and presentation currency.

### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## Note 2. Significant accounting policies (continued)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *Sale of software and goods*

Revenue from the sale of software and sale of goods are recognised when the consolidated entity has transferred to the customer the significant risks and rewards of ownership of the goods. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Amounts disclosed as revenue are net of sales returns and trade discounts.

#### *Rendering of services*

Rendering of services revenue, being installation and maintenance, is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to time and costs incurred to date as a percentage of total costs for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

#### *Customer Support and Hosting*

Revenue from customer support or hosting (SaaS or MAS) is typically paid in advance on an annual, quarterly or monthly basis. Revenue is recognised over the period the customer support/hosting relates to (the coverage period) and shall not be refundable in any way.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

#### *Research and development rebate*

Refundable research and development costs are reported as a government grant through other income for the year ended 31 December 2017.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

## Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

ComOps Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

The tax sharing agreement provides for the determination of the allocation of income tax liabilities between tax consolidated entities should the head entity default in its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

### Current and non-current classification

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

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

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

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

### Cash and cash equivalents

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

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

## Note 2. Significant accounting policies (continued)

### Work in progress

Work in progress is the estimated value of unbilled time after making appropriate provision for unrecoverable amounts.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	6-15 years
Plant and equipment	3-13 years
Furniture and fittings	5-13 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

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

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.



## Note 2. Significant accounting policies (continued)

### *Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of seven years.

### *Software*

Significant costs associated with acquired software are deferred and amortised on a straight-line basis over the period of their expected benefit, being its finite useful life of seven years.

### *Customer relationships*

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of seven years.

### **Impairment of non-financial assets**

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

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

### **Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting the obligations under the contract. Such contracts include property leases when the consolidated entity has committed to a course of action that will result in the property becoming vacant.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## Note 2. Significant accounting policies (continued)

### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### *Share-based payments*

Equity-settled compensation benefits are provided to directors, employees, suppliers and other parties. Equity-settled transactions are awards of shares, or options over shares including performance rights, that are provided for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.



## Note 2. Significant accounting policies (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of ComOps Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

## Note 2. Significant accounting policies (continued)

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 and the impact of its adoption is expected to be minimal.

## Note 2. Significant accounting policies (continued)

### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

Management's assessment is that the application of AASB 15 will not have a material impact on the consolidated entity's financial statements and has adopted this standard from 1 January 2018.

### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Management's assessment has shown that the application of AASB 16 will have an impact on the consolidated entity. However, it is not practicable to provide a reasonable estimate of the effect of the adoption of AASB 16 until the consolidated entity performs a detailed review. The consolidated entity will adopt this standard from 1 January 2019.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### *Revenue recognition*

The revenue and profit of fixed price contracts is recognised on a percentage of completion basis when the outcome of a contract can be estimated reliably. Management makes estimates of the time and cost incurred to date as a percentage of the total cost to be incurred. This involved forecasting future costs and requires estimates and judgements. These estimates are continually revised based on changes in the facts relating to each contract. Any changes in estimates are reflected in that period.

#### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Goodwill*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Employee benefits provision*

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

#### *Capitalised development software*

Capitalised development software costs have been capitalised on the basis that the software project to which they relate will be a success considering its commercial and technical feasibility, from which time the costs will be amortised. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered through the successful commercialisation of the software assets. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

### Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

### Note 4. Operating segments

#### Identification of reportable operating segments

The consolidated entity is organised into one operating segment being workforce management. This operating segment is based on the internal reports that are reviewed and used by the Chief Executive Officer and Chief Financial Officer (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The workforce management business focuses on providing effective workforce management solutions including rostering and scheduling, award interpretation, labour cost management, fatigue risk management, leave management, time and attendance, employee self-service portals, risk management and safety compliance and workforce analytics. The Software central to this business is ComOps WFM (workforce management solutions), Microster (workforce management solutions), eTivity (workforce management solutions), Rostima (workforce management solutions) and Salvus (safety, risk and claims solutions).

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated.

#### Major customers

During the year ended 31 December 2017 approximately 13% (2016: 13%) of the consolidated entity's external revenue was derived from sales to a single customer.

#### Geographical information

	Sales to external customers		Geographical non-current assets	
	2017	2016	2017	2016
	\$	\$	\$	\$
Australia	7,613,886	8,190,566	3,165,688	6,884,029
New Zealand	61,888	86,640	-	-
Malaysia	-	-	-	39,322
United Kingdom	1,066,897	1,089,616	933	559,418
	<u>8,742,671</u>	<u>9,366,822</u>	<u>3,166,621</u>	<u>7,482,769</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Sale of software	300,984	632,080
Rendering of services	8,229,451	8,433,145
Sale of goods	212,236	301,597
	<u>8,742,671</u>	<u>9,366,822</u>
<i>Other revenue</i>		
Interest	2,991	9,559
Revenue	<u><u>8,745,662</u></u>	<u><u>9,376,381</u></u>

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Research and development rebate	646,910	471,011
Other income	52,240	170,509
Other income	<u><u>699,150</u></u>	<u><u>641,520</u></u>

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	48,830	56,829
Plant and equipment	16,803	49,405
Fixtures and fittings	2,504	2,355
Total depreciation	68,137	108,589
<i>Amortisation</i>		
Software	661,673	680,867
Customer relationships	147,965	151,286
Total amortisation	809,638	832,153
Total depreciation and amortisation	877,775	940,742
<i>Impairment and write off of assets</i>		
Goodwill	2,342,001	-
Capitalised development software	1,052,854	-
Software	229,998	-
Customer relationships	46,640	-
Total impairment	3,671,493	-
<i>Employee benefits</i>		
Employee benefits expense excluding superannuation	6,890,381	5,989,863
Defined contribution superannuation expense	730,273	667,268
Total employee benefits	7,620,654	6,657,131
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	412,230	302,428
<i>Research costs</i>		
Research costs	2,694,669	1,720,938



**Note 8. Income tax benefit**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax benefit</i>		
Deferred tax - origination and reversal of temporary differences	(265,225)	(249,339)
Aggregate income tax benefit	<u>(265,225)</u>	<u>(249,339)</u>
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 14)	(265,225)	(249,339)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(6,773,138)	(904,387)
Tax at the statutory tax rate of 27.5% (2016: 30%)	(1,862,613)	(271,316)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	1,054,813	116,007
Non-deductible research and development	741,034	308,000
Sundry items	(6,068)	-
	(72,834)	152,691
Current year temporary differences not recognised	(192,391)	(402,030)
Income tax benefit	<u>(265,225)</u>	<u>(249,339)</u>

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Estimated unused tax losses for which no deferred tax asset has been recognised	15,389,189	9,989,247
Potential tax benefit @ 27.5% (2016: 30%)	4,232,027	2,996,774

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Impairment of receivables	27,835	4,676
Accrued expenses and provisions	372,758	361,899
Total deferred tax assets not recognised	<u>400,593</u>	<u>366,575</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.



**Note 9. Current assets - trade and other receivables**

	Consolidated 2017 \$	2016 \$
Trade receivables	1,028,837	1,043,381
Less: Provision for impairment of receivables	(101,216)	(15,586)
	<u>927,621</u>	<u>1,027,795</u>
Other receivables	<u>3,445</u>	<u>306,720</u>
	<u><u>931,066</u></u>	<u><u>1,334,515</u></u>

*Impairment of receivables*

The consolidated entity has recognised a loss of \$85,630 (2016: \$nil) in profit or loss in respect of impairment of receivables for the year ended 31 December 2017.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2017 \$	2016 \$
Nil to three months overdue	<u>101,216</u>	<u>15,856</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2017 \$	2016 \$
Opening balance	15,586	15,586
Additional provisions recognised	<u>85,630</u>	<u>-</u>
Closing balance	<u><u>101,216</u></u>	<u><u>15,586</u></u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$884,780 as at 31 December 2017 (\$431,395 as at 31 December 2016).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2017 \$	2016 \$
One to three months overdue	853,114	353,929
Three to six months overdue	<u>31,666</u>	<u>77,466</u>
	<u><u>884,780</u></u>	<u><u>431,395</u></u>

**Note 10. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	178,513	245,247
Less: Accumulated depreciation	<u>(104,261)</u>	<u>(111,653)</u>
	<u>74,252</u>	<u>133,594</u>
Plant and equipment - at cost	197,082	201,520
Less: Accumulated depreciation	<u>(178,070)</u>	<u>(170,128)</u>
	<u>19,012</u>	<u>31,392</u>
Fixtures and fittings - at cost	21,299	24,924
Less: Accumulated depreciation	<u>(14,263)</u>	<u>(15,384)</u>
	<u>7,036</u>	<u>9,540</u>
	<u><u>100,300</u></u>	<u><u>174,526</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Leasehold improvements \$	Plant and equipment \$	Fixtures and fittings \$	Total \$
Balance at 1 January 2016	184,162	63,127	2,285	249,574
Additions	6,261	17,670	9,610	33,541
Depreciation expense	<u>(56,829)</u>	<u>(49,405)</u>	<u>(2,355)</u>	<u>(108,589)</u>
Balance at 31 December 2016	133,594	31,392	9,540	174,526
Additions	-	13,842	-	13,842
Disposals	(10,508)	(9,444)	-	(19,952)
Exchange differences	(4)	25	-	21
Depreciation expense	<u>(48,830)</u>	<u>(16,803)</u>	<u>(2,504)</u>	<u>(68,137)</u>
Balance at 31 December 2017	<u><u>74,252</u></u>	<u><u>19,012</u></u>	<u><u>7,036</u></u>	<u><u>100,300</u></u>

**Note 11. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	16,584,001	16,584,001
Less: Impairment	(16,584,001)	(14,242,000)
	<u>-</u>	<u>2,342,001</u>
Capitalised development software - at cost	<u>-</u>	<u>785,125</u>
Software - at cost	5,136,061	5,136,061
Less: Accumulated amortisation	(2,542,093)	(1,880,420)
Less: Impairment	(229,998)	-
	<u>2,363,970</u>	<u>3,255,641</u>
Customer relationships - at cost	1,071,315	1,071,315
Less: Accumulated amortisation	(494,629)	(346,664)
Less: Impairment	(46,640)	-
	<u>530,046</u>	<u>724,651</u>
	<u><u>2,894,016</u></u>	<u><u>7,107,418</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill	Capitalised development software	Software	Customer relationships	Total
	\$	\$	\$	\$	\$
<b>Consolidated</b>					
Balance at 1 January 2016	2,342,001	-	3,921,407	875,937	7,139,345
Additions	-	785,125	10,000	-	795,125
Exchange differences	-	-	5,101	-	5,101
Amortisation expense	-	-	(680,867)	(151,286)	(832,153)
	<u>2,342,001</u>	<u>785,125</u>	<u>3,255,641</u>	<u>724,651</u>	<u>7,107,418</u>
Balance at 31 December 2016	2,342,001	785,125	3,255,641	724,651	7,107,418
Additions	-	267,729	-	-	267,729
Impairment of assets	(2,342,001)	-	(229,998)	(46,640)	(2,618,639)
Write off of assets	-	(1,052,854)	-	-	(1,052,854)
Amortisation expense	-	-	(661,673)	(147,965)	(809,638)
	<u>-</u>	<u>-</u>	<u>2,363,970</u>	<u>530,046</u>	<u>2,894,016</u>
Balance at 31 December 2017	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,363,970</u></u>	<u><u>530,046</u></u>	<u><u>2,894,016</u></u>

*Impairment testing*

Goodwill acquired through business combinations has been allocated to the following cash generating unit ('CGU'):

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Retail and hospitality	-	782,292
Transport	-	1,559,709
	<u>-</u>	<u>2,342,001</u>
Total goodwill	<u><u>-</u></u>	<u><u>2,342,001</u></u>

## Note 11. Non-current assets - intangibles (continued)

Goodwill and the CGU to which it belongs is tested annually for impairment or at the end of each reporting date where an indicator impairment exists.

The recoverable amount of the CGU, which includes the carrying values of all intangibles, is determined based on value-in-use calculations using a five year discounted cash flow model, with a terminal value applied to the discounted cash flows after year five. This model incorporates budgets to 31 December 2018 approved by the Board and extrapolated for a further four years using a steady rate.

During the year ended 31 December 2016, goodwill was allocated to a single CGU being the Workforce management business unit. For impairment testing at 31 December 2017, goodwill and the carrying value of all intangibles was allocated to three CGU's as follows:

- Retail and hospitality
- Safety
- Transport

The change in CGU's arose from a review of the business conducted by an independent third party, appointed by the Board in early 2017 to assist with merger and acquisition inquiries. The independent third party concluded that the operations of the consolidated entity were better structured across three distinct CGU's. Management views the performance and determines the allocation of resources of the consolidated entity based on the existence of one operating segment, being workforce management, which encompasses the 3 CGU's (see note 4 Operating Segments).

The following table sets out the key assumptions used in the value-in-use calculations:

Key assumptions	Retail and hospitality %	Safety %	Transport %
Pre-tax discount rate	18.0%	18.0%	18.0%
Annual projected revenue growth between 2018 and 2022	7.4%	-	7.1%
Annual increase in other operating costs between 2018 and 2022	2.0%	2.0%	2.0%

### Results of impairment testing

Based on impairment testing performed in the first half, an impairment charge of \$1,836,347 was applied against the goodwill and intangible assets of the Transport CGU. Impairment testing performed in the second half has resulted in an impairment charge of \$782,292, which has been applied against the goodwill of the retail and hospitality CGU, taking the total impairment charge for FY 2017 to \$2,618,639.

In addition, capitalised development software totalling \$1,052,854, which was allocated to the Transport CGU, was written off in full.

### Sensitivity analysis

If all other assumptions were held constant, a reduction in the projected average revenue growth to 5% for the retail and hospitality CGU would result in the full right down (or decrease of \$2,894,016) in the value of the consolidated entity's assets (2016: \$4,471,000).

An increase in the pre-tax discount rate to 20% would result in impairment of \$151,000 (2016: \$nil) to the value of the consolidated entity's assets.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

**Note 12. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade payables	259,381	534,021
Accruals	488,080	453,758
Other payables	271,975	535,628
	<u>1,019,436</u>	<u>1,523,407</u>

Refer to note 18 for further information on financial instruments.

**Note 13. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Annual leave	367,915	366,018
Long service leave	258,986	263,768
Deferred lease incentives	345,486	185,994
	<u>972,387</u>	<u>815,780</u>

*Deferred lease incentives*

The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

The consolidated entity expects all annual leave entitlements to be taken within the next 12 months.

*Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	<b>Deferred lease incentives \$</b>
<b>Consolidated - 2017</b>	
Carrying amount at the start of the year	185,994
Additional provisions recognised	248,305
Amounts used	<u>(88,813)</u>
Carrying amount at the end of the year	<u>345,486</u>

**Note 14. Non-current liabilities - deferred tax**

	Consolidated 2017 \$	2016 \$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Customer relationships	145,765	199,285
Intellectual property	648,214	974,043
Other	72,180	-
Deferred tax liability	<u>866,159</u>	<u>1,173,328</u>
<i>Movements:</i>		
Opening balance	1,173,328	1,440,116
Credited to profit or loss (note 8)	(265,225)	(249,339)
Other	(41,944)	(17,449)
Closing balance	<u>866,159</u>	<u>1,173,328</u>

**Note 15. Equity - issued capital**

	2017 Shares	Consolidated 2016 Shares	2017 \$	2016 \$
Ordinary shares - fully paid	<u>989,691,821</u>	<u>716,753,415</u>	<u>38,290,678</u>	<u>36,553,145</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 January 2016	716,753,415		36,553,145
Balance	31 December 2016	716,753,415		36,553,145
Shares issued	18 October 2017	75,000,000	\$0.007	525,000
Shares issued	16 November 2017	58,220,439	\$0.007	407,543
Shares issued	27 November 2017	2,773,375	\$0.007	19,414
Shares issued	29 November 2017	136,944,592	\$0.007	958,612
Share issue transaction costs		-	\$0.000	(173,036)
Balance	31 December 2017	<u>989,691,821</u>		<u>38,290,678</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number and paid-up amounts on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

## Note 15. Equity - issued capital (continued)

### Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure (debt to equity ratio) to reduce the cost of capital. The consolidated entity's debt and equity includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 31 December 2016 Annual Report.

## Note 16. Equity - reserves

	Consolidated 2017 \$	2016 \$
Foreign currency reserve	89,411	89,061
Share-based payments reserve	348,342	348,342
	<u>437,753</u>	<u>437,403</u>

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$	Share-based payments \$	Total \$
Balance at 1 January 2016	23,923	348,342	372,265
Foreign currency translation	65,138	-	65,138
Balance at 31 December 2016	89,061	348,342	437,403
Foreign currency translation	350	-	350
Balance at 31 December 2017	<u>89,411</u>	<u>348,342</u>	<u>437,753</u>

## Note 17. Equity - dividends

### *Dividends*

There were no dividends paid, recommended or declared during the current or previous financial year.

### *Franking credits*

	Consolidated 2017 \$	2016 \$
Franking credits available for subsequent financial years based on a tax rate of 30%	94,388	94,000

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## Note 18. Financial instruments

### *Financial risk management objectives*

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a regular basis.

### *Market risk*

#### *Foreign currency risk*

The consolidated entity is not exposed to any significant foreign currency risk.

#### *Price risk*

The consolidated entity is not exposed to any significant price risk.

#### *Interest rate risk*

The consolidated entity is not exposed to any significant interest rate risk.

### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy customers and inquiries into each customer's ability to satisfy the consideration prior to undertaking a sale as a means of mitigating the risk of financial loss from defaults. Furthermore management consistently reviews aged receivable levels with a view to the collection of cash within the shortest possible time-frame.

The consolidated entity does not have any significant credit risk exposure to any single customer. The carrying amount of financial assets recorded in the statement of financial position, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk.

### *Liquidity risk*

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.



#### Note 18. Financial instruments (continued)

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The consolidated entity has a non-recourse receivables facility in place, in which it can sell selected trade receivables and receives 80% of the invoiced value of those trade receivables in cash. The consolidated entity pays a service fee on this facility. The consolidated entity transfers substantially all of the risks and rewards to the financier which bears the collection risks without the right to receive payments from the consolidated entity in the event of any loss arising from the non-collectability of these receivables. The facility limit is \$1,500,000 (2016: \$1,500,000) for selected trade receivables of which \$0 (2016: \$110,000) was utilised as at 31 December 2017.

##### Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2017</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	259,381	-	-	-	259,381
Other payables	-	271,975	-	-	-	271,975
Total non-derivatives		531,356	-	-	-	531,356
	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2016</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	534,021	-	-	-	534,021
Other payables	-	535,627	-	-	-	535,627
Total non-derivatives		1,069,648	-	-	-	1,069,648

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

#### Note 19. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The fair value is classified as level 3 due to the significant unobservable inputs used in the valuation, including own credit risk.

## Note 20. Key management personnel disclosures

### Compensation

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

	Consolidated 2017 \$	2016 \$
Short-term employee benefits	1,009,075	947,769
Post-employment benefits	62,311	54,950
Long-term benefits	12,897	4,898
	<u>1,084,283</u>	<u>1,007,617</u>

In addition to the above, consultancy fees of \$30,997 (2016: \$42,250) were paid to non-executive directors and are included in payments for services from key management personnel as detailed in note 24.

## Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated 2017 \$	2016 \$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	116,800	87,000
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Tax compliance	37,000	15,500
Tax advisory services	40,350	131,295
	<u>77,350</u>	<u>146,795</u>
	<u>194,150</u>	<u>233,795</u>

## Note 22. Contingent liabilities

The consolidated entity has a bank guarantee in place with St. George Bank which amounts to \$124,000 (2016: \$124,000).

## Note 23. Commitments

	Consolidated 2017 \$	2016 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	459,995	439,749
One to five years	598,566	785,954
	<u>1,058,561</u>	<u>1,225,703</u>

The consolidated entity has operating lease commitments in respect of an operating lease over its office premises located in Sydney expiring on 3 July 2020. The lease has various escalation clauses and an option to extend. On renewal, the terms of the lease are renegotiated.

## Note 24. Related party transactions

### *Parent entity*

ComOps Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 26.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

### *Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Payment for services from key management personnel	30,997	348,035

### *Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Trade payables to key management personnel	25,438	6,600

### *Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

### *Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

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

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(11,691,952)	(6,504,587)
Total comprehensive income	(11,691,952)	(6,504,587)

**Note 25. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total current assets	2,473,805	2,130,921
Total assets	2,473,805	4,724,538
Total current liabilities	11,780,345	5,401,244
Total liabilities	14,259,715	6,556,217
Equity		
Issued capital	38,290,678	36,553,145
Share-based payments reserve	348,530	348,342
Accumulated losses	(50,425,118)	(38,733,166)
Total deficiency in equity	<u>(11,785,910)</u>	<u>(1,831,679)</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

As at 31 December 2017 and 31 December 2016, the parent entity had entered into a non-recourse facilities guarantee.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2017 and 31 December 2016.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2017 and 31 December 2016.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 26. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2017</b>	<b>2016</b>
		<b>%</b>	<b>%</b>
ComOps NZ Limited	New Zealand	100.00%	100.00%
eTivity Solutions Pty Limited	Australia	100.00%	100.00%
eTivity International Pte Limited*	Singapore	-	100.00%
Microster Solutions Pty Ltd	Australia	100.00%	100.00%
Salvus Solutions Pty Ltd	Australia	100.00%	100.00%
ComOps International Limited	United Kingdom	100.00%	100.00%
ComOps Asia Sdn Bhd	Malaysia	100.00%	100.00%
Rostima Limited	United Kingdom	100.00%	100.00%

\* Deregistered during the year ended 31 December 2017

**Note 27. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated 2017 \$	2016 \$
Loss after income tax benefit for the year	(6,507,913)	(655,048)
Adjustments for:		
Depreciation and amortisation	877,775	940,742
Impairment of intangibles	2,618,639	-
Write off of intangibles	1,052,854	-
Net loss on disposal of property, plant and equipment	15,271	-
Foreign exchange differences	(4,275)	33,407
De-recognition of contingent consideration	-	(170,509)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables and prepayments	301,766	(340,140)
Decrease in income tax refund due	145,901	25,925
Increase in other non-current assets	36,457	-
Decrease/(increase) in work in progress	145,816	(133,198)
Increase/(decrease) in trade and other payables	(349,803)	412,133
Decrease in deferred tax liabilities	(307,169)	(265,789)
Increase/(decrease) in provisions	181,274	(101,856)
Decrease in other operating liabilities	(40,001)	(85,249)
Net cash used in operating activities	<u>(1,833,408)</u>	<u>(339,582)</u>

**Note 28. Earnings per share**

	Consolidated 2017 \$	2016 \$
Loss after income tax attributable to the owners of ComOps Limited	<u>(6,507,913)</u>	<u>(655,048)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>751,405,584</u>	<u>716,753,415</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>751,405,584</u>	<u>716,753,415</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.87)	(0.09)
Diluted earnings per share	(0.87)	(0.09)

53,565,380 (2016: 53,565,380) options on issue have been excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they are considered anti-dilutive.

## Note 29. Share-based payments

The following incentive plans have been established by the consolidated entity and approved by shareholders at a general meeting held on 17 November 2014:

- Employee share option plan (option plan) under which eligible employees may be offered the opportunity to be granted options; and
- Employee performance rights plan (performance rights plan) under which eligible employees may be offered the opportunity to be granted performance rights.

An eligible employee includes a director, senior executive or employee of the consolidated entity or an associated body corporate of the consolidated entity.

The plans are designed to provide incentives to eligible employees and to recognise their contribution to the consolidated entity's success, whilst being cost effective and efficient to it. The design of the plans encourage: (i) continued improvement in performance over time and (ii) personnel to acquire and retain share within the company.

The Board may, in its absolute discretion, invite an eligible employee to participate in the option plan or performance right plan. Prior shareholder approval is required before a director or related party of the company can participate in an issue of options under the option plan or an issue of performance rights under the performance rights plan.

### *Performance and vesting conditions*

When granting options/performance rights, the Board may make their vesting conditional on the satisfaction of a performance condition within a specified period. The Board may at any time waive or change a performance condition or performance period in accordance with the option/performance rights plan rules if the Board (acting reasonably) considers it appropriate to do so.

The options/performance rights will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion. Subject to the option/performance rights plan rules, the Board may declare that all or a specified number of any unvested options/performance rights granted to a participant which have not lapsed immediately vest if, in the opinion of the Board a change of control in relation to the company has occurred, or is likely to occur, having regard to the participant's pro rata performance in relation to the applicable performance conditions up to that date.

Subject to the option/performance rights plan rules, the Board may in its absolute discretion, declare the vesting of an option/performance right where the company is wound up or passes a resolution to dispose of its main undertaking. If there is any internal reconstruction or acquisition of the company which does not involve a significant change in the identity of the ultimate shareholders of the company, the Board may declare in its sole discretion whether and to what extent options/performance rights, which have not vested by the day the reconstruction takes place, will vest.

Set out below are summaries of options granted under the option plan:

### 2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/05/2013	30/06/2019	\$0.010	2,000,000	-	-	-	2,000,000
20/06/2013	30/06/2019	\$0.020	2,000,000	-	-	-	2,000,000
02/07/2013	30/06/2019	\$0.010	3,000,000	-	-	-	3,000,000
22/12/2014	18/11/2018	\$0.040	30,000,000	-	-	-	30,000,000
01/10/2015	30/09/2019	\$0.030	7,565,380	-	-	-	7,565,380
31/12/2015	31/12/2019	\$0.030	4,000,000	-	-	-	4,000,000
01/07/2016	30/06/2022	\$0.030	5,000,000	-	-	-	5,000,000
			53,565,380	-	-	-	53,565,380
Weighted average exercise price			\$0.330	\$0.000	\$0.000	\$0.000	\$0.330

**Note 29. Share-based payments (continued)**

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/05/2013	30/06/2019	\$0.010	2,000,000	-	-	-	2,000,000
20/06/2013	30/06/2019	\$0.020	2,000,000	-	-	-	2,000,000
02/07/2013	30/06/2019	\$0.010	3,000,000	-	-	-	3,000,000
22/12/2014	18/11/2018	\$0.040	30,000,000	-	-	-	30,000,000
01/10/2015	30/09/2019	\$0.030	7,565,380	-	-	-	7,565,380
31/12/2015	31/12/2019	\$0.030	4,000,000	-	-	-	4,000,000
01/07/2016	30/06/2022	\$0.030	-	5,000,000	-	-	5,000,000
			<u>48,565,380</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>53,565,380</u>
Weighted average exercise price			\$0.350	\$0.030	\$0.000	\$0.000	\$0.330

Set out below are the options vested and exercisable at the end of the financial year:

Grant date	Expiry date	2017 Number	2016 Number
03/05/2013	30/06/2019	2,000,000	2,000,000
20/06/2013	30/06/2019	2,000,000	2,000,000
02/07/2013	30/06/2019	2,000,000	3,000,000
22/12/2014	18/11/2018	30,000,000	30,000,000
01/10/2015	30/09/2019	7,565,380	5,674,035
31/12/2015	31/12/2019	1,500,000	1,000,000
01/07/2016	30/06/2022	1,000,000	1,000,000
		<u>46,065,380</u>	<u>44,674,035</u>

The weighted average share price during the financial year was \$0.01 (2016: \$0.02).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.5 years (2016: 2.2 years).

The share-based payment expense during the financial year for options issued amounted to \$nil (2016: \$nil).

Set out below are summaries of performance rights granted under the performance rights plan:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2016	30/06/2022	\$0.000	6,000,000	-	-	(6,000,000)	-
			<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>
Weighted average exercise price			\$0.600	\$0.000	\$0.000	\$0.600	\$0.000

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2016	30/06/2022	\$0.060	-	6,000,000	-	-	6,000,000
			<u>-</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>



**Note 29. Share-based payments (continued)**

Weighted average exercise price	\$0.000	\$0.060	\$0.000	\$0.000	\$0.060
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The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was nil (2016: 5.5 years).

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

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Niall Cairns  
Non-Executive Chairman



Phillip Carter  
Non-Executive Director

27 February 2018  
Sydney

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## Independent Auditor's Report to the Members of ComOps Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of ComOps Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 31 December 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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.

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### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of \$6,507,913 and net cash outflows from operating activities of \$1,833,408 during the year ended 31 December 2017. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### 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.

Key audit matter	How our audit addressed the key audit matter
<b>Recoverable amount of intangible assets</b> <b>Note 2 and Note 11</b> <p>As at 31 December 2017, the Group's intangible assets of \$2,894,016 comprise acquired and internally developed software and acquired customer relationships.</p> <p>The Group is required to perform an annual impairment test of goodwill in accordance with AASB 136 <i>Impairment of Assets</i>.</p> <p>Management has assessed the group as having three cash generating units (CGUs) based on its strategic focus on separate industry areas and consideration of the definition of a CGU in AASB 136 <i>Impairment of Assets</i>.</p> <p>Management has tested the CGUs for impairment by comparing the carrying amount of each with the recoverable amount. The recoverable amount was determined on a value-in-use basis. This resulted in a non-cash impairment charge of \$2,618,639; furthermore, the unamortised balance of capitalised development software assets of \$1,052,854 has been written off. Total impairment and asset write-off is \$3,671,493 for the year ended 31 December 2017.</p> <p>We have determined this is a key audit matter due to the judgements and estimates required in determining the appropriate CGUs and calculating the recoverable amount on a value-in-use basis.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• enquiring with management to obtain and document an understanding of management's process related to the assessment of impairment, including management's identification of CGUs and the calculation of the recoverable amount for each CGU;</li> <li>• reviewing the impairment model against the requirements of AASB 136: <i>Impairment of Assets</i> with consultation of our valuations experts;</li> <li>• reviewing management's value-in-use calculations to assess for reasonableness of: <ul style="list-style-type: none"> <li>– mathematical accuracy of the calculations;</li> <li>– management's ability to perform accurate estimates;</li> <li>– forecast cash inflows and outflows to be derived by the CGUs' assets; and</li> <li>– other inputs applied to the value-in-use calculations, including discount rates, expected terminal value, and cash flow adjustments</li> </ul> </li> <li>• performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and</li> <li>• assessing the adequacy of the Group's disclosures within the financial statements regarding the judgements and estimates used by management in its assessment of recoverable amount of each CGU.</li> </ul>

Revenue recognition Note 2 and Note 5	
<p>Revenue has a recorded value at 31 December 2017 of \$8,745,662.</p> <p>This is a key audit matter given the management judgement involved in developing and applying appropriate accounting policies that comply with accounting standards and in determining the timing of amounts to be recognised.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• assessing the revenue recognition policies for appropriateness and compliance with AASB 118: <i>Revenues</i>, as well as reviewing consistency with the prior period;</li> <li>• selecting key controls in the revenue recognition process and testing their operating effectiveness. We have reviewed controls to evaluate <ul style="list-style-type: none"> <li>– appropriate timesheet approvals</li> <li>– appropriate contract approvals</li> <li>– alignment of invoices with sales contract terms</li> </ul> </li> <li>• performing trend analysis for revenue disaggregated by month and revenue streams;</li> <li>• performing detailed testing of a sample of contracts for compliance with the terms and recognition in the appropriate period;</li> <li>• reviewing the work in progress and unearned income schedules against the corresponding sales contracts and other supporting documentation; and</li> <li>• assessing the adequacy of disclosures in the financial statements.</li> </ul>

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

Our opinion on the financial report does not cover the other information and 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of ComOps Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M R Leivesley  
Partner – Audit & Assurance

Sydney, 27 February 2018

The shareholder information set out below was applicable as at 20 February 2018.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	39	-
1,001 to 5,000	132	-
5,001 to 10,000	71	-
10,001 to 100,000	138	-
100,001 and over	201	13
	<b>581</b>	<b>13</b>
Holding less than a marketable parcel	<b>343</b>	<b>-</b>

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
Kestrel Growth Companies Ltd	167,620,731	16.94
Carnethy Evergreen Pty Ltd (Carnethy Evergreen Fund A/C)	111,817,745	11.30
Philip Arthur Jones	46,405,454	4.69
Mr Stephen Francis Rattray and Mrs Peta Michelle Rattray (Stepeta Super Fund A/C)	42,481,771	4.29
Dixon Trust Pty Limited	37,991,142	3.84
Holdex Nominees Pty Limited (No 440 A/C)	34,208,637	3.46
Perle Ventures Pty Ltd (PV Investments 3 A/C)	25,000,000	2.53
Compost Investments Pty Ltd (Compost Investments Unit AC)	18,789,902	1.90
Convergent Technology Consulting Pty Ltd (Convergent Family A/C)	18,750,000	1.89
Mr David Edgley and Mrs Louise Edgley	18,121,452	1.83
Scumi Pty Ltd (Scumi Family A/C)	14,965,000	1.51
Symington Pty Ltd	14,285,715	1.44
Coralco Pty Ltd	14,285,714	1.44
Silver Crown Technology Ltd (2709038 A/C)	14,285,714	1.44
Edgley Pty Ltd (Tecorp Superfund A/C)	12,500,000	1.26
Gumbalie Pty Ltd	12,500,000	1.26
H & P Family Investments Pty Ltd (H & P Super Fund A/C)	10,526,315	1.06
Gumbalie Pty Ltd (Shorth Term Trading A/C)	10,500,000	1.06
Mr David Sutherland	10,000,000	1.01
Mr Brian Leonard Vidler (Wattle Ins P/L Super A/C) and Spectre Ventures Pty Limited (Spectre A/C) (each hold 10,000,000 shares)	20,000,000	2.02
	<b>655,035,292</b>	<b>66.17</b>



*Unquoted equity securities*

	Number on issue	Number of holders
Options	53,565,380	13
Performance rights	34,000,000	1

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Gerry Williams	Options over ordinary shares	13,565,380
Chris Fydler	Performance rights over ordinary shares	34,000,000

**Substantial holders**

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
Kestrel Growth Companies Ltd	300,886,364	30.40
Gumbalie Pty Limited	64,921,452	6.56
Mr Philip Arthur Jones	57,333,334	5.79

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.



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