ABN 64 089 145 424

# DUBBER CORPORATION LIMITED

## Annual Report
## 30 June 2017

# Corporate Directory

**Board of Directors**
Peter Pawlowitsch
*Non-Executive Chairman*

Steve McGovern
*Managing Director*

Gerard Bongiorno
*Non-executive Director*

Ian Hobson
*Company Secretary*

**Share Register**
Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone +61 8 9324 2099
Facsimile +61 8 9321 2337

**Auditor**
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

**Securities Exchange**
Dubber Corporation Limited shares are listed on the Australian Securities Exchange

ASX Code: DUB

**Principal Place of Business**
Level 5, 2 Russell Street
Melbourne VIC 3000

Telephone: +61 3 8658 6111
Facsimile: +61 3 8080 6466
Website: www.dubber.net/investors

**Registered Office**
Suite 5, 95 Hay Street
Subiaco WA 6008

**Solicitor**
Milcor Legal
Level 1, 6 Thelma Street
West Perth WA 6005

**Banker**
Westpac Banking Corporation Limited
150 Collins Street
Melbourne VIC 3000

# Chairman's Letter

Dear Shareholders

During 2017 financial year the Company was initially focused on growing the number of telecommunication companies that would take the Dubber Platform to market. Whilst this remained a key strategy, the second half of the year saw the Company turn its attention to growing the size of our end user customer base with the appointment of account managers to facilitate the process.

The Dubber product offering comprises a unique Platform as a Service targeted at the telecommunications service provider sector. The Dubber Platform enables the service provider to offer a totally scalable call recording service which also provides the ability to capture voice data across a telco network. Voice data is a content rich asset which has not been captured before in such a fashion and provides for the integration of applications which can use that data for endless commercial benefits. Dubber's own intelligence suite 'Zoe' provides a set of analytics tools which extract the value of the data in the recorded calls and presents service providers and their end users with such opportunity.

We have seen market conditions move in the Company's favour and believe this will continue over the next several years. Increased regulatory requirements across many industries and territories include two notable examples: MIFID ii regulations in Europe and Dodd Frank in North America. These regulations govern how, amongst other provisions, companies in certain Financial Service sectors must create, store and manage recordings of communications.

In the telecommunications industry more broadly service providers are moving quickly to cloud based services. Industry analysts are recommending that service providers take into account two factors when developing their future strategies for products and value-added services namely:

- Speed to market
- Potential for the application to integrate with users' other applications on a device of choice.

This trend has seen a shift in the traditional approach for service providers to develop their own proprietary offerings since these two requirements are significant competitive barriers. The industry, therefore, recognises that its core asset is its customer base and aims to service and maintain those customers with value-added services that meet these two criteria.

Dubber is a unique Platform as a Service (PaaS) offering which meets these criteria and more. The Company believes that its recent landmark agreements with AT&T and Broadsoft's BroadCloud Carrier Platform demonstrate this position.

Over the next financial year, the Company will continue to build on the approach of deploying account managers to assist service providers with the implementation of Dubber's Platform to their customers. Currently, these account managers are engaged with many enterprise customers of our service provider partners, with the target of increasing users and monthly recurring revenue.

Additionally, the Company intends to continue in deploying its service as the network enabled recording platform for as many telecommunications carriers as possible, to position Dubber as the global backbone of recording.

On behalf of the Board, I would like to thank all staff and contractors for their contribution to the continuing development of the Company. I would also like to thank our shareholders for their continued support.

Yours faithfully,

Peter Pawlowitsch
Chairman

# Review of Operations

The Company's key areas of focus have been:

- Targeting twenty telecommunications service providers by the end of calendar year of 2016, with the Company reaching eighteen at this time and reaching the twenty mark during the March quarter. This has provided the Company with the foundation for the Company's future, both in terms of users and revenues.

- In December 2016, the Company raised $6.3m which has been utilised to support the Company's expansion in North America, establish a team of dedicated on-site tier-one service provider account executives, to accelerate the uptake of Dubber's revolutionary "Dubber Playback" and "Zoe" intelligence suite product offerings as well as for other general corporate purposes.

**Business Activities & Outlook**

During the year the Company focused on two ambitions in a time where the telecommunications sector as a whole moved increasingly towards Cloud provision of services.

**Continuing to build a global backbone of call recording.**

The Company had stated ambitions of achieving service provision agreements with 20 telecommunications service providers by the end of December 2016. The Company achieved 18 such contracts in the time frame, achieving its stated goal in the subsequent quarter. These agreements were procured mainly in two markets, Asia-Pacific and Europe.

In the March quarter the Company established a North American base in Atlanta to meet demand in that market following the BroadSoft Connections event in November 2016. The Company has procured five agreements in this market to date. The Company's US strategy achieved landmark validation having being chosen to provide recording services for AT&T Collaborate.

The Company has continued to sign agreements with telecommunications companies in Europe and Asia Pacific which will underpin the Company's growth in those markets.

Dubber's cloud recording platform has been interoperable with BroadSoft BroadWorks since May 2015. This means that Dubber is able to offer a compelling technology solution for telecommunications providers who have deployed this infrastructure on a case by case basis.

Dubber has now finalised an agreement whereby it will be the native recording service on BroadSoft's BroadCloud Carrier platform. The Company believes that this will be a key agreement given the industry move towards Cloud Platform as a Service and BroadSoft's preeminent position in that market. In particular, the agreement provides for Dubber's service to be enabled as a standard feature for all end users of the BroadCloud Carrier managed platform 'On Demand'. The Company believes that this provides the opportunity to generate revenues across all its subscription plans from 'On Demand' to 'Reserved' and those incorporating its analytics suite, as the customers determine their usage requirements.

Dubber's strategy is to continue to procure agreements with telecommunications service providers to take advantage of prevailing market conditions as set out below.

**Growing User Numbers and Revenues**

The Company's strategy has been to secure a quorum of agreements and then grow user numbers and revenues from those agreements. In the March quarter the Company employed personnel at an account management level to facilitate this strategy. The Company has experienced steady growth as a direct result of this activity. Growth is achieved, primarily, by two means, organic growth within a customer base and the migration of existing recording users from legacy systems to the Dubber enabled recording service. The Company expects this trend to continue as a result of recent agreements completed.

To date, user numbers have been linked with Dubber's 'Reserved' offering whereby a user records all calls and maintains them in the Dubber platform. Telecommunications service providers who already provide recording services on legacy systems may have contractual obligations in place with their customers. When migrating the customers to the new Dubber enabled service, that service may be in the form of a 'limited version' of the Dubber service in order to meet the existing retail price points. Typically this may involve limitations such as numbers of calls to be recorded in a time frame, storage capacity or other functionality. The Company has a strategy to encourage all users to eventually move towards the 'Reserved' plan, believing that all recordings should be maintained perpetually in order to extract value form the data to improve things such as business performance and workflow.

Dubber's core design enables a flexibility regarding provision of services and subsequent billing. An example of the Company's strategy is to promote the enabling of a large group of users or, indeed, an entire customer base on Dubber's 'On Demand' plan with a view to determining user cases which drive usage across that broad base. Typically this would mean that Dubber receives a nominal revenue per month from every user with more substantial revenues derived from a variety of 'bundled inclusion' plans determined by the customers' usage. As the service will be already enabled and therefore, does not need to be 'switched on', the ability to drive those user cases can be managed systematically.

Dubber's long term strategy is to deploy its service across a broad network of telecommunications customer bases, all of which have substantial voice calls running across its services. This would provide a unique and content rich data set, if captured and provide the potential for the 'Big Data' applications for which Dubber's platform is designed. Whilst many of these applications will be provided by third parties in the long term, Dubber has deployed its own intelligence suite 'Zoe' into some of its current telecommunications partners with great initial success.

**Market Conditions**

There are two prevailing market conditions that impact the Company over the next 12 months and beyond.

There is substantial growth in regulatory requirements across many industries and territories. Two notable examples are the MIFID ii regulations in Europe and Dodd Frank in North America. These govern how, amongst other provisions, companies in certain Financial Service sectors must create and manage recordings of communications. An example, with MIFID ii in Europe, is whereby all affected businesses must record calls and maintain storage of those recordings for a minimum of seven years. This is currently creating disruption in the industry and providing opportunity for telecommunications service providers if they can deliver a service in time.

The most compelling market trend is likely to be in the telecommunications industry where service providers appear to be moving quickly to cloud services. Industry analysts are recommending that service providers take into account two factors when developing their future strategies for products and value added services namely:

- Speed to market
- Potential for the application to integrate with the user's other applications on a device of choice.

This has seen a shift in the propensity for service providers to develop their own proprietary offerings since these two requirements are significant barriers. The industry, therefore, recognises that its core asset is its customer base and aims to service and maintain those customers with value added services that meet these two criterion.

Dubber is a unique Platform as a Service (PaaS) offering which meets these criterion and more. The Company believes that its recent landmark agreements demonstrate this position.

Over the next financial year, the Company will continue to build on the approach of deploying account managers to assist telcos with implementing Dubber Platform to their customers. Currently, these account managers are engaged with many enterprise customers of our telco partners with the target of increasing users and monthly recurring revenue moving from ‘potential’ to ‘billing’.

In addition the Company intends to continue in deploying its service as the network enabled recording platform for as many telcos as possible to position Dubber as the global backbone of recording.

# Directors' Report

Your directors present their report of Dubber Corporation Limited and its controlled entities (the Group) for the financial year ended 30 June 2017.

**DIRECTORS**

The names of the directors of the Company in office during the financial year and up to the date of this report are as follows:

| | |
|---|---|
| Steve McGovern | Managing Director |
| Peter Pawlowitsch | Non-executive Chairman |
| Ken Richards | Non-executive Director (resigned 20 March 2017) |
| Stephe Wilks | Non-executive Director (appointed 20 March 2017, resigned 30 August 2017) |
| Gerard Bongiorno | Non-executive Director (appointed 2 July 2017) |

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

The particulars of the qualifications, experience and special responsibilities of each director are as follows:

| **Mr Steve McGovern** | **Managing Director** |
|---|---|
| Experience | Mr McGovern is a founder of Dubber Pty Ltd. He has over 25 years' experience in the fields of telecommunications, media sales, pay TV and regulatory. Mr McGovern has been a senior executive of several established companies, both domestically and internationally, which have been primarily associated with new and emerging markets and have required a strong sales and solutions focus. |
| Interest in Shares and Options at the date of this report | • 4,266,124 ordinary shares<br>• 1,200,000 unlisted options exercisable at $0.40 each and expiring 30 June 2018<br>All shares and options are held indirectly. |
| Directorships held in other listed entities in the past three years | • Linius Technologies Limited (18 April 2016 – present) |

| **Mr Peter Pawlowitsch** | **Non-executive Chairman** |
|---|---|
| Experience | Mr Pawlowitsch holds a Bachelor of Commerce from the University of Western Australia, is a current member of the Certified Practising Accountants of Australia and also holds a Master of Business Administration from Curtin University.<br><br>These qualifications have underpinned more than fifteen years' experience in the accounting profession and more recently in business management and the evaluation of businesses and mining projects. |

| | |
|---|---|
| Interest in Shares and Options at the date of this report | • 1,346,191 ordinary shares<br>• 600,000 unlisted options exercisable at $0.40 each and expiring 30 June 2018<br>All shares and options are held indirectly |
| Directorships held in other listed entities in the past three years | • Ventnor Resources Limited (12 February 2010 – present)<br>• Department 13 International Limited (30 January 2012 – 18 December 2015)<br>• Knosys Limited (16 March 2015 – present)<br>• Novatti Group Limited (19 June 2015 – present)<br>• Rewardle Holdings Limited (30 May 2017 – present) |

| | |
|---|---|
| **Mr Ken Richards** | **Non-executive Director (resigned 20 March 2017)** |
| Experience | Mr Richards has in excess of 30 years' experience as a Managing Director in various companies listed and unlisted and in various industries. He holds a Bachelor of Commerce and Master of Business Administration degrees from the University of Western Australia and is a fellow of the Australian Institute of Company Directors. |
| Interest in Shares and options at the date of resignation | • 200,000 ordinary shares held directly<br>• 745,776 ordinary shares held indirectly<br>• 150,000 unlisted options exercisable at $0.40 each and expiring 30 June 2018, held indirectly |
| Directorships held in other listed entities in the past three years at the date of resignation | • Leaf Resources Limited (31 August 2007 – present) |

| | |
|---|---|
| **Mr Stephe Wilks** | **Non-executive Director (appointed 20 March 2017, resigned 30 August 2017)** |
| Experience | Mr Wilks has over 20 years of experience with technology companies both within Australia and overseas. He has held CEO and senior executive positions with BT Asia Pacific, Optus, Hong Kong Telecom, Nextgen networks and Personal Broadband Australia. He was also a consulting director with investment bank NM Rothschild. Mr Wilks is on the advisory board of the Network Insight Group and consults to a number of companies in the media and technology industries. |
| Interest in Shares and Options at the date of resignation | Nil. |
| Directorships held in other listed entities in the past three years at the date of resignation | • TPC Consolidated Limited (3 April 2007 – 31 August 2014)<br>• Bulletproof Group Limited (20 January – 24 September2015)<br>• Datadot Technology limited (26 February 2016 – present) |

| | |
|---|---|
| **Mr Gerard Bongiorno** | **Non-executive Director (appointed 2 July 2017)** |
| Experience | Mr Bongiorno is Principal and Co-CEO of Sapient Capital Partners, a merchant banking operation and has over 30 years of professional experience in capital raisings and corporate advisory. Prior to forming Sapient (formerly Otway Capital), Gerard was Head of Property Funds Management at Challenger Financial Services Group (CFG) and was Group Special Projects Manager at Village Roadshow. Earlier in his career he worked at KPMG in insolvency and corporate Finance. Gerard received his Bachelor Degree in Economics and Accounting from Monash University and the Program for Management development at Harvard Business School PMD75. |
| Interest in Shares and options at the date of this report | • 267,111 ordinary shares held indirectly |
| Directorships held in other listed entities in the past three years | • Linius Technologies Limited (21 February 2017 – present) |

**Company Secretary**

Mr Ian Hobson was appointed as Company Secretary on 17 October 2011 and holds a Bachelor of Business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretary services and corporate, management and accounting advice to a number of listed public companies.

## CORPORATE INFORMATION

**Corporate Structure**

Dubber Corporation Limited is a limited liability company that is incorporated and domiciled in Australia. Dubber Corporation Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

| | | |
|---|---|---|
| Dubber Corporation Ltd | - | parent entity |
| Medulla Group Pty Ltd | - | 100% owned controlled entity |
| Dubber Pty Ltd | - | 100% owned controlled entity |
| Dubber Ltd (UK) | - | 100% owned controlled entity |
| Dubber USA Pty Ltd | - | 100% owned controlled entity |
| Dubber, Inc. | - | 100% owned controlled entity |

**Principal Activities**

The principal continuing activities of Dubber Corporation Limited and its controlled entities consisted of provision of call recording and audio asset management in the cloud.

## OPERATING AND FINANCIAL REVIEW

**Review of Operations**

A review of operations for the financial year and the results of those operations is contained within the review of operations preceding this report.

**Operating Results**

The loss from ordinary activities after providing for income tax amounted to $9,853,902 (2016: $9,300,655).

**Financial Position**
At 30 June 2017 the Group had net assets of $7,348,522 (2016: $10,888,798) and cash reserves of $857,777 (2016: $2,563,767).

**Dividends**
No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year are detailed in the review of operations.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or in the financial statements.

## EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years, other than as follows or outlined in the review of operations preceding this report.

Mr Gerard Bongiorno was appointed as a non-executive director of the Company on 2 July 2017.

On 13 July 2017, the Company issued 476,191 fully paid ordinary shares at an issue price of 42 cents each, raising $200,000. The shares were issued to a company associated with Mr Peter Pawlowitsch after shareholder approval was obtained on 30 June 2017 for the director to participate in the share placement announced on 8 December2016.

Mr Stephe Wilks resigned as non-executive director of the Company on 30 August 2017.

On 4 September 2017, the Company issued 300,000 fully paid ordinary shares following the exercise of 300,000 unlisted options exercisable at 25 cents each on or before 27 February 2018.

The Company announced on 18 September 2017 it had successfully completed a $7 million capital raising. The capital raising, which was oversubscribed, resulted in the placement of 20,000,000 fully paid ordinary shares at an issue price of 35 cents each. The shares were issued on 25 September 2017.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to pursue its principal activity of rolling out and developing its cloud based call recording and audio asset management platform.

## MEETINGS OF DIRECTORS

The numbers of meetings of directors held during the year and the numbers of meetings attended by each director were as follows:

| | Directors' Meetings | |
|---|---|---|
| | **Number eligible to attend** | **Number attended** |
| Mr Steve McGovern | 5 | 5 |
| Mr Peter Pawlowitsch | 5 | 5 |
| Mr Ken Richards (resigned 20 March 2017) | 4 | 4 |
| Mr Stephe Wilks (appointed 20 March 2017) | 1 | 1 |

**REMUNERATION REPORT (Audited)**

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

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

The following persons were directors of Dubber Corporation Limited during the financial year:

| | |
|---|---|
| Steve McGovern | Managing Director |
| Peter Pawlowitsch | Non-executive Chairman |
| Ken Richards | Non-executive Director (resigned 20 March 2017) |
| Stephe Wilks | Non-executive Director (appointed 20 March 2017) |

Other persons that fulfilled the role of a key management person during the year, are as follows:

| | |
|---|---|
| James Slaney | General Manager |
| Chris Jackson | Chief Technology Officer |
| Adrian Di Pietrantonio | General Manager, Channels |

**Overview of remuneration policies**

The Board as a whole is responsible for considering remuneration policies and packages applicable both to directors and executives of the Consolidated Entity.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including directors of the Company and other executives. Key management personnel comprise the directors of the Company, and executives for the Company and the Consolidated Entity including the key management personnel.

Broadly, remuneration levels for key management personnel of the Company and key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced directors and executives and reward the achievement of strategic objectives. The Board has not obtained independent advice at this time on the appropriateness of remuneration packages of both the Company and the Consolidated Entity.

Remuneration packages consist of fixed remuneration including base salary, employer contributions to superannuation funds and non-cash benefits.

The Company has a variable remuneration package for directors, which involves Performance Shares. This plan allows directors to convert Performance Shares to fully paid ordinary shares for nil cash consideration, subject to performance based vesting conditions.

Bonuses were paid to Mr Steve McGovern ($60,000), Mr James Slaney ($20,000) and Mr Adrian Di Pietrantonio ($30,000). Mr McGovern's bonuses are awarded for achieving key performance indicators as determined by the Board on a six monthly basis. Mr McGovern received 80% of his bonus for the period July to December 2016 and nil for the period January to June 2017. The bonuses for Mr Slaney and Mr Pietrantonio were paid for achieving key performance indicators set by the Managing Director for achieving sales and operating targets.

***Fixed remuneration***

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicle), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Consolidated Entity. The Board has regard to remuneration levels external to the Consolidated Entity to ensure the directors' and executives' remuneration is competitive in the market place.

Executive directors are employed full time and receive fixed remuneration in the form of salary and statutory superannuation or consultancy fees, commensurate with their required level of services.

Non-executive directors, unless otherwise specified by any non-executive and consultancy service agreement in place, receive a fixed monthly fee for their services. Where non-executive directors provide services materially outside their usual Board duties, they are remunerated on an agreed retainer or daily rate basis.

***Service agreements***

It is the Consolidated Entity's policy that service agreements for key management personnel are unlimited in term but capable of termination on 3 months' notice and that the Consolidated Entity retains the right to terminate the service agreements immediately, by making payment equal to 3 months' pay in lieu of notice.

The service agreement outlines the components of compensation paid to key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed annually on a date as close as possible to 30 June of each year to take into account key management personnel's performance.

Certain key management personnel will be entitled to bonuses as the Board may decide in its absolute discretion from time to time, to a maximum of 50% of the key management personnel's annual base salary per annum.

***Non-Executive Directors***

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2014 Annual General Meeting, is not to exceed $500,000 per annum and has been set at a level to enable the Company to attract and retain suitably qualified directors. The Company does not have any scheme relating to retirement benefits for non-executive directors.

***Relationship between the remuneration policy and Company performance***

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based rights subject to performance based vesting conditions, and the second being the issue of options or shares to key management personnel to encourage the alignment of personal and shareholder interests.

***Share-based payment arrangements***
**Options**
The Company operates an Employee Share Option Plan ("ESOP") for executives and senior employees of the Consolidated Entity. In accordance with the provisions of the ESOP, executives and senior employees may be granted options to purchase ordinary shares at an exercise price to be determined by the Board with regard to the market value of the shares when it resolves to offer the options. The options may only be granted to eligible persons after the Board considers the person's seniority, position, length of service, record of employment, potential contribution and any other matters which the Board considers relevant.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Board.

To date, options granted under the ESOP expire within thirty six months of their issue, or immediately on the resignation of the executive or senior employee, whichever is the earlier.

**Shares**
The directors, at their discretion, may issue shares to participants under the Employee Share Plan ("ESP") at any time, having regard to relevant considerations such as the participant's past and potential contribution to the Company, and their period of employment with the Company. Directors of the Company, full-time employees and part-time employees of the Group who hold a salaried employment or office in the Group, are eligible to participate in the ESP.

Plan shares may be issued at an issue price to be determined by the Board, which may be a nominal or nil issue price if so determined by the Board. The number of plan shares issued is determined by the Board.

The plan shares are issued on the same terms as the fully paid ordinary shares of the Company and rank equally with all of the Company's then existing shares.

The Board may impose conditions in an offer of plan shares that must be satisfied (unless waived by the Board in its absolute discretion) before the plan shares to which the condition applies can be sold, transferred, assigned, charged or otherwise encumbered.

Where a restriction condition in relation to plan shares is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board, the Company must, unless the restriction condition is waived by the Board:
a) Where the plan shares were issued for no cash consideration, buy back the relevant plan shares within 12 months of the date the restriction condition was not satisfied (or became incapable of satisfaction) at a price equal to $0.0001 per share; or
b) Where the shares were issued for cash consideration, use its best endeavours to buy back the relevant plan shares within 12 months of the date the restriction condition was not satisfied (or became incapable of satisfaction) at a price equal to the cash consideration paid by the participant for the plan shares.

To date, plan shares offered under the ESP vest in three equal tranches on each of the three consecutive annual vesting dates. The shares are not issued to the participant until the vesting date provided the participant is an employee at the relevant vesting date.

**Employment Details of Directors and other Key Management Personnel**

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

| | |
|---|---|
| **Steve McGovern** | **Managing Director** |
| Agreement type: | Executive service agreement (MD Agreement) |
| Agreement commenced: | 2 March 2015 |
| Term of Agreement: | No fixed term |
| Remuneration: | Annual salary of $240,000 plus statutory superannuation |
| Termination notice: | During the first 6 months of the MD Agreement, the Company may terminate the agreement on 3 months' notice, or by providing a cash payment in lieu of such notice equal to the salary payable for the remainder of the first 6 months of the MD Agreement (subject to the limitation of the Corporations Act and Listing Rules). After this, the Company may terminate the agreement on 3 months' notice. |

| | |
|---|---|
| **Peter Pawlowitsch** | **Non-executive Chairman** |
| Agreement type: | Letter of appointment |
| Agreement commenced: | 1 December 2014 |
| Term of Agreement: | No fixed term |
| Remuneration: | Annual fee of $76,650 (inclusive of statutory superannuation), increased to $100,000 plus statutory superannuation as from 1 July 2016, plus reimbursement of all reasonable expenses incurred in performing the Chairman's duties |
| Termination notice: | In the event Peter is removed as a director by shareholders under the Corporations Act or Constitution, or is unable to perform his duties, he is entitled to receive a termination payment of 3 months' worth of his director's fee (subject to the limitation of the Corporations Act and Listing Rules). |

| | |
|---|---|
| **Ken Richards** | **Non-executive Director** |
| Agreement type: | Letter of appointment |
| Agreement commenced: | 1 December 2014 |
| Term of Agreement: | No fixed term (resigned 20 March 2017) |
| Remuneration: | Annual fee of $40,000 (inclusive of statutory superannuation) plus reimbursement of all reasonable expenses incurred in performing the Non-executive Director's duties |
| Termination notice: | In the event Ken is removed as a director by shareholders under the Corporations Act or Constitution, or is unable to perform his duties, he is entitled to receive a termination payment of 1 month's worth of his director's fee (subject to the limitation of the Corporations Act and Listing Rules). |

| | |
|---|---|
| **Stephe Wilks** | **Non-executive Director** |
| Agreement type: | Letter of appointment |
| Agreement commenced: | 20 March 2017 |
| Term of Agreement: | No fixed term (resigned 30 August 2017) |
| Remuneration: | Annual fee of $60,000 (inclusive of statutory superannuation) plus reimbursement of all reasonable expenses incurred in performing the Non-executive Director's duties |
| Termination notice: | None specified. |

| | |
|---|---|
| **James Slaney** | **General Manager** |
| Agreement type: | Executive service agreement (GM Agreement) |
| Agreement commenced: | 2 March 2015 |
| Term of Agreement: | Same terms as termination notice below: |
| Remuneration: | Annual salary of $200,000 plus statutory superannuation |
| Termination notice: | Until the earlier of achievement of all the Vendor Performance Milestones or the first 27 months of the GM Agreement, the Company may terminate the agreement on 3 months' notice, or by providing a cash payment in lieu of such notice equal to the salary payable for the remainder of the first 27 months of the GM Agreement. After this, the Company may terminate the agreement on 3 months' notice. |

| | |
|---|---|
| **Chris Jackson** | **Chief Technology Officer** |
| Agreement type: | Employment agreement (CTO Agreement) |
| Agreement commenced: | 2 March 2015 |
| Term of Agreement: | No fixed term |
| Remuneration: | Annual salary of $180,000 plus statutory superannuation, increased to $200,000 plus statutory superannuation as from 1 January 2016 |
| Termination notice: | Standard 4 week notice periods for termination apply to the CTO Agreement in accordance with statutory requirements. |

| | |
|---|---|
| **Adrian Di Pietrantonio** | **General Manager, Channels** |
| Agreement type: | Executive service agreement (GMC Agreement) |
| Agreement commenced: | 2 March 2015 |
| Term of Agreement: | Same terms as termination notice below: |
| Remuneration: | Annual salary of $165,000 plus statutory superannuation, increased to $200,000 plus statutory superannuation as from 1 October 2016 |
| Termination notice: | Until the earlier of achievement of all the Vendor Performance Milestones or the first 27 months of the GMC Agreement, the Company may terminate the agreement on 3 months' notice, or by providing a cash payment in lieu of such notice equal to the salary payable for the remainder of the first 27 months of the GMC Agreement. After this, the Company may terminate the agreement on 3 months' notice. |

**Details of Remuneration for Year**

Details of the remuneration of each director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

| | | Short Term Benefits | | Long Term Benefits | Post-Employment | Share Based Payments | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Director** | **Year** | **Salary and Fees** | **Cash Bonus** | **Annual & Long Service Leave** | **Superannuation** | **Options/ Shares** | **Total** | **Remuneration consisting of options/shares** | **Remuneration based on performance** |
| | | $ | $ | $ | $ | $ | $ | % | % |
| *Executive Directors:* | | | | | | | | | |
| S McGovern | **2017** | **240,000** | a) **60,000** | **13,016** | **22,800** | **-** | **335,816** | **-** | **18** |
| | 2016 | 240,000 | 150,000 | (3,693) | 22,800 | 447,231 | 856,338 | 52 | 70 |
| *Non-Executive Directors:* | | | | | | | | | |
| P Pawlowitsch | **2017** | **100,000** | **-** | **-** | **9,500** | **-** | **109,500** | **-** | **-** |
| | 2016 | 79,000 | - | - | 6,650 | 223,615 | 309,265 | 72 | 72 |
| G Campion (resigned 2/2/16) | **2017** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | 2016 | 128,333 | - | - | - | 216,961 | 345,294 | 63 | 63 |
| K Richards (resigned 20/3/17) | **2017** | **27,397** | **-** | **-** | **2,603** | **-** | **30,000** | **-** | **-** |
| | 2016 | 36,530 | - | - | 3,470 | 55,904 | 95,904 | 58 | 58 |
| S Wilks (appointed 20/3/17) | **2017** | **16,935** | **-** | **-** | **-** | **-** | **16,935** | **-** | **-** |
| | 2016 | - | - | - | - | - | - | - | - |
| *Other Key Management Personnel:* | | | | | | | | | |
| J Slaney | **2017** | b) **397,755** | **20,000** | **6,232** | **-** | **-** | **423,987** | **-** | **5** |
| | 2016 | 307,820 | 16,667 | 7,731 | 7,917 | 111,808 | 451,943 | 25 | 28 |
| C Jackson | **2017** | **208,582** | **-** | **22,829** | **19,815** | **-** | **251,226** | **-** | **-** |
| | 2016 | 192,845 | - | 8,866 | 18,320 | 55,904 | 275,935 | 20 | 20 |
| A Di Pietrantonio | **2017** | **191,250** | **30,000** | **17,337** | **18,169** | **-** | **256,756** | **-** | **12** |
| | 2016 | 165,000 | 40,000 | 9,551 | 15,675 | 55,904 | 286,130 | 20 | 34 |
| | | | | | | | | | |
| **Total** | **2017** | **1,181,919** | **110,000** | **59,414** | **72,887** | **-** | **1,424,220** | **-** | **8** |
| | 2016 | 1,149,528 | 206,667 | 22,455 | 74,832 | 1,167,327 | 2,620,809 | 45 | 52 |

a) Mr McGovern received 80% of his bonus for July – December 2016 and nil for January – June 2017 (2016: received 100% for the year)
b) Includes rental assistance and allowances in relation to relocation to the UK (in December 2016) of $178,755 (2016: $96,737)

**Compensation Securities Issued to Key Management Personnel**

*Performance Options:*
During the year ended 30 June 2015, the following performance options were granted as performance linked incentives to directors and executives. The performance options were issued free of charge and convert into unlisted exercisable options when performance milestones are achieved. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company, at an exercise price of $0.40 per option on or before 30 June 2018.

The performance milestones were:
Milestone 1: The Company achieving a share price with a 20 day VWAP over 50 cents.
Milestone 2: The Company achieving a share price with a 20 day VWAP over 75 cents.

**2016**

| Key Management Personnel | Number Granted | Grant Date | Average Value per Option at Grant Date | Exercise Price | Last Exercise Date | Balance at 1/07/15 Unvested | Vested during the year | Balance at 30/06/16 Vested and Exercisable |
|---|---|---|---|---|---|---|---|---|
| S McGovern | 1,200,000 | 9/06/15 | $0.1635 | $0.40 | 30/06/18 | 1,200,000 | 1,200,000 | 1,200,000 |
| P Pawlowitsch | 600,000 | 9/06/15 | $0.1635 | $0.40 | 30/06/18 | 600,000 | 600,000 | 600,000 |
| G Campion | 150,000 | 9/06/15 | $0.1635 | $0.40 | 30/06/18 | 150,000 | 150,000 | 150,000 |
| K Richards | 150,000 | 9/06/15 | $0.1635 | $0.40 | 30/06/18 | 150,000 | 150,000 | 150,000 |
| J Slaney | 300,000 | 9/06/15 | $0.1635 | $0.40 | 30/06/18 | 300,000 | 300,000 | 300,000 |
| C Jackson | 150,000 | 9/06/15 | $0.1635 | $0.40 | 30/06/18 | 150,000 | 150,000 | 150,000 |
| A Di Pietrantonio | 150,000 | 9/06/15 | $0.1635 | $0.40 | 30/06/18 | 150,000 | 150,000 | 150,000 |
| **Total** | **2,700,000** | | | | | **2,700,000** | **2,700,000** | **2,700,000** |

The total value of the options at grant date was $441,450. Fair values at grant date was determined using a hybrid up and in option pricing model.

For the year ended 30 June 2015, the value of the options had been allocated over the assumed vesting period of the option's expiry period of three years. At 30 June 2015, $8,300 (approximately 2% of the total value of the options at grant date), was assessed as vested.

During the previous year, on 29 December 2015, all performance milestones were achieved and all performance options were converted into unlisted exercisable options. For the year ended 30 June 2016, $433,150, being the balance (and approximately 98%) of the total value of the options at grant date vested and was included in the remuneration table above for 2016.

*Performance Shares:*
During the year ended 30 June 2015, the following performance shares were granted as performance linked incentives to directors and executives. The performance shares were issued free of charge. Each performance share converts into one fully paid ordinary share in the Company for nil cash consideration, upon the achievement of performance milestones, expiring 30 June 2018.

The performance milestones were:
Milestone 1: The Company achieving a share price with a 20 day VWAP over 50 cents.
Milestone 2: The Company achieving a share price with a 20 day VWAP over 75 cents.

**2016**

| Key Management Personnel | Number Granted | Grant Date | Average Value per Share at Grant Date | Last Conversion Date | Balance at 1/07/15 | Converted during the year | Balance at 30/06/16 |
|---|---|---|---|---|---|---|---|
| | | | | | Unconverted | | Unconverted |
| S McGovern | 800,000 | 9/06/15 | $0.3245 | 30/06/18 | 800,000 | 800,000 | - |
| P Pawlowitsch | 400,000 | 9/06/15 | $0.3245 | 30/06/18 | 400,000 | 400,000 | - |
| G Campion | 100,000 | 9/06/15 | $0.3245 | 30/06/18 | 100,000 | 100,000 | - |
| K Richards | 100,000 | 9/06/15 | $0.3245 | 30/06/18 | 100,000 | 100,000 | - |
| J Slaney | 200,000 | 9/06/15 | $0.3245 | 30/06/18 | 200,000 | 200,000 | - |
| C Jackson | 100,000 | 9/06/15 | $0.3245 | 30/06/18 | 100,000 | 100,000 | - |
| A Di Pietrantonio | 100,000 | 9/06/15 | $0.3245 | 30/06/18 | 100,000 | 100,000 | - |
| **Total** | **1,800,000** | | | | **1,800,000** | **1,800,000** | **-** |

The total value of the performance shares at grant date was $584,100. Fair values at grant date was determined using a hybrid up and in option pricing model.

For the year ended 30 June 2015, the value of the performance shares had been allocated over their expiry period of three years. At 30 June 2015, $10,981 (approximately 2% of the total value of the performance shares at grant date), had been allocated.

During the previous year, on 29 December 2015, all performance milestones were achieved and all performance shares were converted into fully paid ordinary shares. For the year ended 30 June 2016, $573,119, being the balance (and approximately 98%) of the total value of the performance shares at grant date is included in the remuneration table above for 2016.

*Management Performance Shares:*
On 28 November 2014, Shareholders approved the issue of 4,000,000 performance shares to Mr Gavin Campion pursuant to the terms of his non-executive services and consultancy agreement. Each performance share is convertible into one fully paid ordinary share in the Company upon the achievement of certain milestones being met.

The milestones were:
Milestone 1: Upon all of the following being achieved:
(a) enter into 1 Australian re-seller agreement for the Dubber technology suite;
(b) enter into re-seller and deployment partner agreement for the Dubber technology suite;
(c) enter into a re-seller integration partner agreement with 1 Australian based telecommunications Carrier for the Dubber technology suite; and
(d) enter into a partner agreement with a technology company which will assist with establishing a re-seller/integration agreement for the Dubber technology suite in a jurisdiction outside of Australia.
Milestone 2: Upon the following being achieved:
$30,000 (ex GST) in billed monthly revenue via channel.
Milestone 3: Upon the following being achieved:
$100,000 (ex GST) ¡n billed monthly revenue via channel.
Milestone 4: Upon the following being achieved:
The Company breaking even, based on EBITDA over a rolling 3 month period. If this milestone is achieved, then Milestones 1, 2 and 3 will be deemed achieved.

These performance shares were valued at $560,000.

The value of the performance shares had been allocated over the periods each milestone was expected to be met or over the period to their expiry date of 27 May 2017. At 30 June 2015, $263,491 (47% of the total value at grant date) had been allocated and included in Mr Campion's remuneration for that year.

On 14 September 2015, the first performance milestone was achieved and 1,000,000 performance shares were converted into fully paid ordinary shares. For the year ended 30 June 2016, $161,058 (29% of the total value of the performance shares at grant date) has been allocated and included in Mr Campion's remuneration in the remuneration table above for 2016.

Milestones 2, 3 and 4 were not achieved by their expiry date 27 May 2017 and the remaining 3,000,000 performance shares were cancelled.

**Shares Issued to Key Management Personnel on Exercise of Compensation Options**
During the year, the Company issued 200,000 fully paid ordinary shares to Mr Pawlowitsch and 200,000 fully paid ordinary shares to Mr Richards on the exercise of unlisted options exercisable at 25 cents each on or before 25 November 2016. The options were originally issued to directors on 24 December 2013.

**Remuneration Consultants**
The Board did not use the services of remuneration consultants during the year in determining the compensation for directors and executives.

**Voting and comments made at the Company's 2016 annual general meeting ('AGM")**
At the 2016 AGM, 97.8% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

**Loans with Key Management Personnel**
There were no loans to key management personnel or their related entities during the financial year.

**Other Transactions with Key Management Personnel**
Platform testing consulting fees totalling $68,000 (2016: $70,818) were charged by Prueba Pty Ltd, a company associated with Mr Steve McGovern. Trade payables at 30 June 2016 included a balance of $4,400 payable to Prueba Pty Ltd.

Telephony services totalling $2,736 (2016: $2,472) were provided by Canard Pty Ltd, a company associated with Mr Steve McGovern and Mr Adrian Di Pietrantonio. Trade payables at 30 June 2017 include a balance of $670 (30 June 2016: nil) payable to Canard Pty Ltd.

Intelligent Voice and 1300 MY SOLUTION are businesses associated with Mr Steve McGovern and Mr Adrian Di Pietrantonio. The Group earned service fee income of $40,217 (2016: $32,572) from Intelligent Voice and $294,733 (2016: $293,714) from 1300 MY SOLUTION.

Other payables at 30 June 2016 included an accrual of $75,000 for the cash bonus payable to Mr Steve McGovern for the period January to June 2016 included in the remuneration table above for 2016.

Other receivables at 30 June 2017 includes an amount of $140,977 (30 June 2016: $140,977) receivable from the Medulla Group Pty Ltd vendors, including Mr Steve McGovern, Mr James Slaney and Mr Adrian Di Pietrantonio.

Amounts included in the remuneration table for Mr Stephe Wilks and Mr Gavin Campion were paid to their consultancy companies High Expectations Pty Ltd and Hydria Plenus Pty Ltd respectively. An amount of $9,000 included in the remuneration table above for 2016 for Mr Peter Pawlowitsch was paid to his consultancy company Gyoen Pty Ltd for advisory services outside his usual Board duties.

All transactions are conducted on normal commercial terms and on an arm's length basis.

**Additional Disclosures Relating to Key Management Personnel**

***Shareholdings***

The number of 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:

| Key Management Personnel | Balance at Start of Year | Received as Remuneration | Options Exercised | Acquired/ (disposed) | Net Change Other | Balance at End of Year |
|---|---|---|---|---|---|---|
| S McGovern | 4,266,124 | - | - | - | - | 4,266,124 |
| P Pawlowitsch | 670,000 | - | 200,000 | - | - | 870,000 |
| K Richards (resigned 20/3/17) | 745,776 | - | 200,000 | - | a) (945,776) | - |
| S Wilks (appointed 20/3/17) | - | - | - | - | a) - | - |
| J Slaney | 2,874,831 | - | - | - | - | 2,874,831 |
| C Jackson | 751,519 | - | - | - | - | 751,519 |
| A Di Pietrantonio | 2,873,743 | - | - | - | - | 2,873,743 |
| **Total** | **12,181,993** | **-** | **400,000** | **-** | **(945,776)** | **11,636,217** |

a) – Shares held at date of appointment or resignation, as applicable.

***Option Holdings***

The number of options 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:

| Key Management Personnel | Balance at Start of Year | Received as Remuneration | Options Exercised | Options Expired | Net Change Other | Balance at End of Year |
|---|---|---|---|---|---|---|
| S McGovern | 1,200,000 | - | - | - | - | 1,200,000 |
| P Pawlowitsch | 800,000 | - | (200,000) | - | - | 600,000 |
| K Richards (resigned 20/3/17) | 350,000 | - | (200,000) | - | a) (150,000) | - |
| S Wilks (appointed 20/3/17) | - | - | - | - | a) - | - |
| J Slaney | 300,000 | - | - | - | - | 300,000 |
| C Jackson | 150,000 | - | - | - | - | 150,000 |
| A Di Pietrantonio | 150,000 | - | - | - | - | 150,000 |
| **Total** | **2,950,000** | **-** | **(400,000)** | **-** | **(150,000)** | **2,400,000** |

a) – Options held at date of appointment or resignation, as applicable.

***Performance Shares Holdings***

The number of performance shares 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:

| Key Management Personnel | Balance at Start of Year | Received as Remuneration | Shares Expired | Performance Shares Converted | Net Change Other | Balance at End of Year |
|---|---|---|---|---|---|---|
| S McGovern | 3,541,347 | - | (3,541,347) | - | - | - |
| P Pawlowitsch | - | - | - | - | - | - |
| K Richards (resigned 20/3/17) | - | - | - | - | a) - | - |
| S Wilks (appointed 20/3/17) | - | - | - | - | a) - | - |
| J Slaney | 2,732,882 | - | (2,732,882) | - | - | - |
| C Jackson | 665,657 | - | (665,657) | - | - | - |
| A Di Pietrantonio | 2,833,941 | - | (2,833,941) | - | - | - |
| **Total** | **9,773,827** | **-** | **(9,773,827)** | **-** | **-** | **-** |

a) – Shares held at date of appointment or resignation, as applicable.

**This is the end of the remuneration report.**

**INDEMNIFYING OFFICERS OR AUDITORS**

Dubber Corporation Limited has paid premiums to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of Dubber Corporation Limited, other than conduct involving a wilful breach of duty in relation to Dubber Corporation Limited.

**SHARE OPTIONS**

At the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 1,370,000 unlisted options expiring 31 January 2018, exercisable at $0.25 each
- 300,000 unlisted options expiring 27 February 2018, exercisable at $0.25 each
- 2,700,000 unlisted options expiring 30 June 2018, exercisable at $0.40 each
- 2,250,000 unlisted options expiring 31 March 2019, exercisable at $0.25 each
- 100,000 unlisted options expiring 31 March 2019, exercisable at $0.72 each
- 2,000,000 unlisted options expiring 27 January 2019, exercisable at $0.60 each
- 2,000,000 unlisted options expiring 27 January 2020, exercisable at $0.80 each
- 1,050,000 unlisted options expiring 31 March 2020, exercisable at $0.40 each

During the year the following options were issued:

- 2,000,000 options expiring 27 January 2019, exercisable at $0.60 each
- 2,000,000 options expiring 27 January 2020, exercisable at $0.80 each
- 1,050,000 options expiring 31 March 2020, exercisable at $0.40 each

During the year 600,000 options expiring 25 November 2016, were exercised at $0.25 each.

During the year 203,000 options exercisable at $0.25 each expired on 25 November 2016.

Since the end of the financial year, 300,000 options expiring 27 February 2018 were exercised at $0.25 each.

Since the end of the financial year, no other options have expired or been issued.

**PERFORMANCE SHARES**

At the date of this report there were no unissued ordinary shares for which performance shares were outstanding.

The following performance shares expired during the year:

- 13,315,172 Vendors performance shares
- 3,000,000 Management performance shares

No performance shares were issued or converted into fully paid ordinary shares during the year.

Since the end of the financial year, no performance shares have been issued.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

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

Dubber Corporation Limited was not a party to any such proceedings during the year.

**ENVIRONMENTAL REGULATIONS**

The Group is not currently subject to any specific environmental regulation under Australian Commonwealth or State law.

**NON-AUDIT SERVICES**

There were no amounts paid or payable to the auditor for non-audit services provided during the year by the auditor other than those outlined in Note 16 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 Corporation Act 2001.

The directors are of the opinion that the services as disclosed in Note 16 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.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2017, as required under section 307C of the Corporations Act 2001, has been received and is included within the financial report.

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

Peter Pawlowitsch
Director
Dated: 26 September 2017

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Australia



DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF DUBBER CORPORATION LIMITED

As lead auditor of Dubber Corporation Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Dubber Corporation Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 26 September 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | **$** | **$** |
| **Revenue** | | | |
| Service income | | **510,817** | 457,699 |
| Other revenue from ordinary activities | 2 (a) | **1,458,181** | 546,712 |
| **Expenses** | | | |
| Service platform costs | | **(2,862,017)** | (1,764,023) |
| Consulting fees | | **(288,961)** | (180,703) |
| Depreciation and amortisation | | **(1,563,799)** | (1,246,057) |
| Directors fees and benefits | | **(479,235)** | (657,783) |
| Employee benefits expense | | **(2,433,229)** | (1,709,287) |
| Finance costs | | **(162,026)** | (43,270) |
| Share based payments | 21 | **(461,783)** | (2,255,879) |
| Other expenses from ordinary activities | 2 (b) | **(3,571,850)** | (2,448,064) |
| **Loss before income tax expense** | | **(9,853,902)** | (9,300,655) |
| Income tax expense | 3 | **-** | - |
| **Loss after income tax expense for the year** | | **(9,853,902)** | (9,300,655) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Foreign currency translation differences | | **(2,143)** | - |
| **Other comprehensive income for the year, net of tax** | | **(2,143)** | - |
| **Total comprehensive loss attributable to owners of Dubber Corporation Limited** | | **(9,856,045)** | (9,300,655) |

| | | Cents | Cents |
|---|---|---|---|
| **Earnings per share attributable to the owners of Dubber Corporation Limited** | | | |
| Basic loss per share | 14 | **(11.12)** | (13.04) |
| Diluted loss per share | 14 | **(11.12)** | (13.04) |

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

## Consolidated Statement of Financial Position

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | **857,777** | 2,563,767 |
| Trade and other receivables | 5 | **1,778,722** | 473,415 |
| Total Current Assets | | **2,636,499** | 3,037,182 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 6 | **81,052** | 50,060 |
| Intangible assets | 7 | **7,402,610** | 8,943,717 |
| Total Non-Current Assets | | **7,483,662** | 8,993,777 |
| **Total Assets** | | **10,120,161** | 12,030,959 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | **2,438,753** | 976,036 |
| Provisions | 9 | **332,886** | 166,125 |
| Total Current Liabilities | | **2,771,639** | 1,142,161 |
| **Total Liabilities** | | **2,771,639** | 1,142,161 |
| **NET ASSETS** | | **7,348,522** | 10,888,798 |
| **EQUITY** | | | |
| Issued capital | 11 | **31,312,336** | 25,455,700 |
| Reserves | 12 | **5,992,219** | 5,535,229 |
| Accumulated losses | 13 | **(29,956,033)** | (20,102,131) |
| **TOTAL EQUITY** | | **7,348,522** | 10,888,798 |

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

# Consolidated Statement of Changes in Equity

| | Issued Capital | Reserves | Accumulated Losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2017** | | | | |
| **Balance at 1 July 2016** | **25,455,700** | **5,535,229** | **(20,102,131)** | **10,888,798** |
| Loss after income tax expense for the year | **-** | **-** | **(9,853,902)** | **(9,853,902)** |
| Other comprehensive income for the year, net of tax | **-** | **(2,143)** | **-** | **(2,143)** |
| **Total comprehensive loss for the year** | **-** | **(2,143)** | **(9,853,902)** | **(9,856,045)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Securities issued during the year | **6,295,303** | **-** | **-** | **6,295,303** |
| Capital raising costs | **(854,917)** | **-** | **-** | **(854,917)** |
| Cost of share based payments | **416,250** | **459,133** | **-** | **875,383** |
| **Balance at 30 June 2017** | **31,312,336** | **5,992,219** | **(29,956,033)** | **7,348,522** |
| **2016** | | | | |
| **Balance at 1 July 2015** | 17,637,006 | 5,252,839 | (10,801,476) | 12,088,369 |
| Loss after income tax expense for the year | - | - | (9,300,655) | (9,300,655) |
| **Total comprehensive loss for the year** | - | - | (9,300,655) | (9,300,655) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Securities issued during the year | 7,689,938 | (1,543,489) | - | 6,146,449 |
| Capital raising costs | (301,244) | - | - | (301,244) |
| Cost of share based payments | 430,000 | 1,825,879 | - | 2,255,879 |
| **Balance at 30 June 2016** | 25,455,700 | 5,535,229 | (20,102,131) | 10,888,798 |

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

# Consolidated Statement of Cash Flows

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **441,120** | 510,413 |
| Payments to suppliers and employees | | **(8,828,027)** | (6,889,049) |
| Interest received | | **23,598** | 20,594 |
| R&D tax offset refund received | | **1,438,800** | 524,886 |
| Interest and other finance costs paid | | **(118,508)** | (31,550) |
| Net cash outflows used in operating activities | 20 | **(7,043,017)** | (5,864,706) |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | **(53,684)** | (42,191) |
| Payment of security bond | | **(464,341)** | (9,909) |
| Loans to other entities | | **-** | (34,611) |
| Receipt of security bond | | **-** | 125,663 |
| R&D tax offset refund relating to intangible asset | | **-** | 846,901 |
| Net cash (used in)/provided by investing activities | | **(518,025)** | 885,853 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **6,295,303** | 6,146,449 |
| Payment of share issue costs | | **(441,317)** | (301,244) |
| Proceeds from borrowings | | **1,130,000** | - |
| Repayment of borrowings | | **(1,130,000)** | - |
| Net cash provided by financing activities | | **5,853,986** | 5,845,205 |
| Net (decrease)/increase in cash held | | **(1,707,056)** | 866,352 |
| Cash and cash equivalents at the beginning of the year | | **2,563,767** | 1,697,415 |
| Effect of exchange rate changes on cash | | **1,066** | - |
| **Cash and cash equivalents at the end of the year** | 4 | **857,777** | 2,563,767 |

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

# Notes to the Consolidated Financial Statements

**1. Summary of Significant Accounting Policies**

**(a) Basis of Preparation**

Dubber Corporation Limited ("Company" or "Parent Entity") is a company limited by shares, incorporated and domiciled in Australia. These consolidated financial statements and notes represent those of Dubber Corporation Limited and controlled entities ("Group" or "Consolidated Entity"). The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Dubber Corporation Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. The financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial reports have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The separate financial statements of the parent entity, Dubber Corporation Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

These financial statements are presented in Australian dollars, rounded to the nearest dollar.

**(b) Going concern basis**

For the year ended 30 June 2017, the Group entity incurred a loss of $9,853,902 (2016: $9,300,655) and had a cash balance at 30 June 2017 of $857,777 (30 June 2016: $2,563,767).

On 13 July 2017, the Company issued 476,191 fully paid ordinary shares at an issue price of 42 cents each, raising $200,000. The shares were issued to a company associated with Mr Peter Pawlowitsch after shareholder approval was obtained on 30 June 2017 for the director to participate in the share placement announced on 8 December 2016.

The Company announced on 18 September 2017 it had successfully completed a $7 million capital raising. The capital raising, which was oversubscribed, resulted in the placement of 20,000,000 fully paid ordinary shares at an issue price of 35 cents each. The shares were issued on 25 September 2017.

The financial statements have been prepared on the basis that the Group will continue to meet its commitments and can therefore continue normal business activities and realise assets and liabilities in the ordinary course of business.

Management is confident that forecasted cash inflows up to October 2018 from subscriptions, research and development tax incentives and additional capital raisings, together with the current cash balance, will yield sufficient cash flow to meet the group's working capital requirements.

**1. Summary of Significant Accounting Policies (Continued)**

**(c) Revenue recognition**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.
Service income is recognised at the time the service is accessed by the customer. All revenue is stated net of the amount of goods and services tax (GST).

**(d) Government grants/research and development tax incentives**

Grants from the government (such as research and development tax incentives) are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants received for the period prior to the acquisition of Dubber Pty Ltd was deducted from the carrying value of the Dubber intellectual property, with subsequent grants being recognised as other income.

**(e) Basis of consolidation**

**Subsidiaries**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dubber Corporation Limited ("Company" or "parent entity") as at 30 June 2017 and the results of all subsidiaries for the year then ended. Dubber Corporation Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. 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.

**1. Summary of Significant Accounting Policies (Continued)**

**(e) Basis of consolidation (continued)**

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

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.

**(f) Segment Reporting**

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

**(g) Foreign currency translation**

(i) Functional and presentation currency
The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Dubber Corporation Limited.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency 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 year end exchange rates of monetary assets and liabilities, denominated in foreign currencies, are recognised in profit or loss.

(iii) Foreign operations
The assets and liabilities of foreign operations are translated to the functional currency as exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency difference are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

**(h) Finance income**

Finance income comprises interest income earned on funds invested in bank accounts and call deposits. Interest is recognised on an accruals basis in the consolidated statement of profit or loss and other comprehensive income, using the effective interest method.

**1. Summary of Significant Accounting Policies (Continued)**

**(i) Income tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(j) Provisions**

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

**1. Summary of Significant Accounting Policies (Continued)**

**(k) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquired asset either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred and the amount of any non-controlling interest in the acquire over the fair value of the net identifiable assets acquired is recorded as goodwill, If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

**(l) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

**(m) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group 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 30 days overdue) are considered indicators that the trade receivable is 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 the discounting is immaterial.

The amount of the impairment losses is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**1. Summary of Significant Accounting Policies (Continued)**

**(n) Financial instruments**

*Initial recognition and measurement*
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

*Classification and subsequent measurement*
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;
(b) less principal repayments;
(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
(d) less any reduction for impairment.

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

The Group does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

*(ii) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

*(iii) Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Convertible notes are issued from the Company and are convertible at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

**1. Summary of Significant Accounting Policies (Continued)**

**(n) Financial instruments (continued)**

The liability component of a convertible note is recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the convertible note as a whole and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

**(o) Property, plant and equipment**

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

**Plant and equipment**
Plant and equipment are measured on the cost basis.

**Depreciation**
The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

| **Class of Fixed Asset** | **Useful Life** |
|---|---|
| Furniture, Fixtures and Fittings | 4 years |
| Computer Equipment | 3 years |
| Computer Software | 3 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Property, plant and equipment is derecognised and removed from the statement of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

Subsequent costs are included in the property, plant and equipment's carrying value or recognised as a separate asset when it is probable that future economic benefits associated with the item will be realised and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the statement of profit or loss and other comprehensive income.

**1. Summary of Significant Accounting Policies (Continued)**

**(p) Impairment of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

Non-financial assets, other than inventories, deferred tax assets, assets from employee benefits, investment properties, biological assets, and deferred acquisition costs, are assessed for any indication of impairment at the end of each reporting period. Any indication of impairment requires formal testing of impairment by comparing the carrying amount of the asset to an estimate of the recoverable amount of the asset. An impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually regardless of whether there is any indication of impairment.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. The asset's value in use is calculated as the estimated future cash flows discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks associated with the asset. Assets that cannot be tested individually for impairment, are grouped together into the smallest group of assets that generates cash inflows (the asset's cash-generating unit).

Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses are allocated first, to reduce the carrying amount of any goodwill allocated to cash-generating units, and then to other assets of the group on a pro-rata basis.

Assets other than goodwill are assessed at the end of each reporting period to determine whether previously recognised impairment losses may no longer exist or may have decreased. Impairment losses recognised in prior periods for assets other than goodwill are reversed up to the carrying amounts that would have been determined had no impairment loss been recognised in prior periods.

**(q) Trade and other payables**

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

**(r) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**1. Summary of Significant Accounting Policies (Continued)**

**(s) Contributed equity**

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(t) Earnings per share**

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) 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.

**(u) Share-based payment transactions**

Employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

When the goods or services acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

The cost of equity-settled transactions and the corresponding increase in equity is measured at the fair value of the goods or services acquired. Where the fair value of the goods or services received cannot be reliably estimated, the fair value is determined indirectly by the fair value of the equity instruments using the Black Scholes option valuation technique.

Equity-settled transactions that vest after employees complete a specified period of service are recognised as services received during the vesting period with a corresponding increase in equity.

**(v) Intangible assets**

Intangible assets acquired as part of a business combination are brought in at fair value at acquisition. Intangible assets with finite useful life are amortised over a straight line basis in the profit or loss over the estimated useful life. During the previous period, management re assessed the useful life of the platform from 10 years to 5 years, as they believe it is more reflective of the useful life.

**(w) Goodwill**

Goodwill is measured as described in note 1(k). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 18).

**1. Summary of Significant Accounting Policies (Continued)**

**(x) Employee Provisions**

(i) Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

(ii) Other long-term employee benefit obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government corporate bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

**(y) Critical accounting estimates and judgements**

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

Key estimates - Impairment

The Group tests annually whether the carrying value of goodwill and other intangibles exceed its recoverable amount to determine potential impairment requirements. The recoverable amount of goodwill and other intangibles has been calculated using a number of assumptions as disclosed in note 7. No impairment has been recognised in respect of intangibles at the end of the reporting period.

Key judgements – Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. The related assumptions are detailed in note 21. 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 expenses and equity.

Key Estimates – Dubber intellectual property

The Dubber SaaS intangible was acquired as part of a business combination. The intangible asset was recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line based on the timing of projected cash flows of the intellectual property over its estimated useful life. The Group estimates the useful life of the asset is 5 years based on the technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations and competitor actions.

**1. Summary of Significant Accounting Policies (Continued)**

**(z) New accounting standards for application in future period & current periods**

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 period ended 30 June 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*

These amendments must be applied for financial years commencing on or after 1 January 2018. Therefore application date for the Company will be 30 June 2019. The Company does not currently have any hedging arrangements in place.

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. There will be no impact on the Company's accounting for financial assets and financial liabilities, as the new requirements only effect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

*AASB 15 Revenue from Contracts with Customers*

These amendments must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore application date for the Company will be 30 June 2019.

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. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is in the process of being assessed by the Group.

*AASB 16 Leases*

IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

**(aa) Parent entity financial information**

The financial information for the parent entity, Dubber Corporation Limited, disclosed in note 22 has been prepared on the same basis as the consolidated financial statements.

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|

## 2. Revenue and Expenses from Continuing Operations

**(a) Other revenue**

| | 2017 $ | 2016 $ |
|---|---|---|
| Interest | **19,381** | 21,826 |
| Research and development tax incentive | **1,438,800** | 524,886 |
| | **1,458,181** | 546,712 |

**(b) Other expenses**

| | 2017 $ | 2016 $ |
|---|---|---|
| Audit fees | **44,377** | 49,603 |
| Accounting and tax advice fees | **178,548** | 179,935 |
| Doubtful debts expense | **112,659** | - |
| Legal fees | **115,319** | 72,711 |
| Marketing | **1,136,821** | 622,052 |
| Occupancy costs | **448,803** | 201,422 |
| Securities exchange and registry fees | **76,604** | 85,893 |
| Travel costs | **712,023** | 644,980 |
| Other administration | **746,696** | 591,468 |
| | **3,571,850** | 2,448,064 |

## 3. Income Tax

**(a) Income Tax Expense**

| | 2017 $ | 2016 $ |
|---|---|---|
| Loss before income tax expense | **(9,853,902)** | (9,300,655) |
| Tax at the Australian tax rate of 27.5% (2016: 30%) | **(2,709,823)** | (2,790,197) |
| Tax effect of amounts not deductible (taxable) in calculating taxable income | **(182,120)** | 527,547 |
| Deferred tax asset not brought to account on temporary differences & tax losses | **2,972,941** | 2,310,597 |
| | **80,998** | 47,947 |
| Amounts recognised in equity | **(80,998)** | (47,947) |
| Income tax expense | **-** | - |

**(b) Deferred tax assets**

| | 2017 $ | 2016 $ |
|---|---|---|
| Timing differences | **188,231** | 89,582 |
| Tax losses - revenue | **5,102,265** | 3,833,945 |
| | **5,290,496** | 3,923,527 |
| Offset against Deferred Tax Liabilities | **(1,486,805)** | (2,080,495) |
| | **3,803,691** | 1,843,032 |
| Amounts in equity | **255,813** | 156,933 |
| Tax losses - capital | **526,750** | 323,367 |
| Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions set out in note 1(i) occur. | **4,586,254** | 2,323,332 |

| | Consolidated 2017 $ | 2016 $ |
|---|---|---|

## 3. Income Tax (continued)

**(c) Deferred tax liabilities**

| | 2017 $ | 2016 $ |
|---|---|---|
| Timing differences | **(1,486,805)** | (2,080,495) |
| Offset by Deferred Tax Assets recognised | **1,486,805** | 2,080,495 |
| | **-** | - |

There are no franking credits available to the Group.

## 4. Cash and Cash Equivalents

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash at bank | **857,777** | 2,563,767 |
| | **857,777** | 2,563,767 |

The Company's exposure to interest rate risk is outlined in note 15.

## 5. Trade and Other Receivables

| | 2017 $ | 2016 $ |
|---|---|---|
| **Current** | | |
| Trade receivables | **317,265** | 53,425 |
| Less: Provision for doubtful debt | **(106,889)** | - |
| | **210,376** | 53,425 |
| GST recoverable | **240,347** | 83,276 |
| Receivable from Medulla Group Pty Ltd vendors | **140,977** | 140,977 |
| Prepayments | **293,928** | 146,096 |
| Other receivables | **893,094** | 49,641 |
| | **1,778,722** | 473,415 |

The acquisition of Medulla Group Pty Ltd ("Medulla") was on a no liability basis. It was determined on reconciling the acquisition and liabilities paid of Medulla that the vendors of Medulla Group Pty Ltd owed Dubber Corporation Limited $140,977. Receipt of this amount is expected within 12 months of 30 June 2017.

Trade and other receivables are all due within three months of this report.

Other receivables at 30 June 2017 include the following:

- $305,000 security deposit under the R&D Tax Prepayment Loan Agreement with R&D Capital Partners Pty Ltd, subsequently released back to the Company on 25 July 2017; and
- $537,377 held in trust for the repayment of additional research and development tax incentive received during the year and included in Other Payables (note 8).

Information about credit and liquidity risk is outlined in note 15. Prepayments consist of prepaid insurance and consulting fees.

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| **6. Property, Plant and Equipment** | | |
| Plant and equipment – at cost | **126,391** | 72,707 |
| Less: Accumulated depreciation | **(45,339)** | (22,647) |
| Net carrying amount | **81,052** | 50,060 |

**Reconciliation**

Reconciliation of the carrying amount for each class of property, plant and equipment between the beginning and the end of the current and previous financial year are set out below:

| | Computer Equipment $ | Furniture $ | Plant & Equipment $ | Total $ |
|---|---|---|---|---|
| **2017** | | | | |
| Balance at the beginning of the year | **27,475** | **22,585** | **-** | **50,060** |
| Additions | **46,445** | **7,239** | **-** | **53,684** |
| Depreciation expense | **(15,075)** | **(7,617)** | **-** | **(22,692)** |
| Carrying amount at the end of the year | **58,845** | **22,207** | **-** | **81,052** |
| **2016** | | | | |
| Balance at the beginning of the year | 8,863 | 7,793 | 220 | 16,876 |
| Additions | 23,981 | 18,210 | - | 42,191 |
| Depreciation expense | (5,369) | (3,418) | (220) | (9,007) |
| Carrying amount at the end of the year | 27,475 | 22,585 | - | 50,060 |

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| **7. Intangible Assets** | | |
| Dubber intellectual property – at cost | **8,483,031** | 8,483,031 |
| Less: Accumulated amortisation | **(3,089,155)** | (1,548,048) |
| | **5,393,876** | 6,934,983 |
| Goodwill | **2,008,734** | 2,008,734 |
| Net carrying amount | **7,402,610** | 8,943,717 |
| **Reconciliation** | | |
| Balance at the beginning of the year | **8,943,717** | 11,027,668 |
| R&D tax offset refund relating to acquired intellectual property | **-** | (846,901) |
| Amortisation expense | **(1,541,107)** | (1,237,050) |
| Net carrying amount at the end of the year | **7,402,610** | 8,943,717 |

The goodwill and other intangibles is attributable to Dubber's strong position to continue to roll out its software platform and the expected cash flows to arise from the Company's acquisition of Dubber Pty Ltd.

## 7. Intangible Assets (continued)

Goodwill acquired through the business combination has been allocated to the Company's only cash generating unit ('CGU') for impairment testing. The Board has determined the recoverable amount of the CGU by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets. The method applied was the market approach based on the current market capitalisation (number of shares on issue multiplied by the quoted market price per share) of the Group on the Australian Securities Exchange (ASX). The recoverable value is therefore a Level 1 measurement based on observable inputs of publicly traded shares in an active market. The Board has not identified any reasonable possible changes in key assumptions that could cause the carrying amount of the CGU to exceed its recoverable amount. Any reasonable change to the volatility of the Company's share price would not create an impairment.

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |

## 8. Trade and Other Payables

| | | |
|---|---|---|
| **Current** | | |
| Trade payables | **587,011** | 339,231 |
| Payroll tax and other statutory liabilities | **936,568** | 402,437 |
| Unearned revenue | **162,902** | - |
| Other payables | **752,272** | 234,368 |
| | **2,438,753** | 976,036 |

All payables are expected to be settled within 6 months. Risk management policies in regard to liquidity and currency risk are outlined in note 15.

## 9. Provisions

| | | |
|---|---|---|
| **Current** | | |
| Employee benefits | **332,886** | 166,125 |
| | **332,886** | 166,125 |

Employee benefits represent annual leave and long service leave entitlements of employees within the Group and is non-interest bearing. The entire obligation is presented as current, since the Group does not have a right to defer settlement.

## 10. Loans and Borrowings

In October 2016, the Company entered into a R&D tax prepayment loan agreement with R&D Capital Partners Pty Ltd for $1,130,000, repayable upon receipt of the tax refund from the Australian Taxation Office for the research and development tax incentive offset for the financial year ended 30 June 2016. Interest was fixed at 1.25% per month payable monthly. The loan was secured by a first ranking charge over the assets of the Company except the Dubber intellectual property, registered on the Personal Property Securities Register. The loan was fully repaid on 14 March 2017.

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|

## 11. Issued Capital

| | 2017 $ | 2016 $ |
|---|---|---|
| **Issued and paid up capital** | | |
| 96,186,100 (2016: 79,929,426) Ordinary shares – fully paid | **33,356,516** | 26,644,963 |
| Share issue costs written off against share capital | **(2,044,180)** | (1,189,263) |
| | **31,312,336** | 25,455,700 |

**Movement in ordinary shares on issue**

| | Issue Price | No. of Shares | $ |
|---|---|---|---|
| **2017** | | | |
| Balance at the beginning of the year | | **79,929,426** | **25,455,700** |
| Exercise of options expiring 25 November 2016 | **$0.25** | **600,000** | **150,000** |
| Issued for cash pursuant to placement – 14 December 2016 | **$0.42** | **14,631,674** | **6,145,303** |
| Issued as employee incentives – 1 March 2017 | **$0.38571** | **700,000** | **270,000** |
| Issued as employee incentives – 1 March 2017 | **$0.45** | **325,000** | **146,250** |
| Share issue costs | | | **(854,917)** |
| Balance at the end of the year | | **96,186,100** | **31,312,336** |

| | Issue Price | No. of Shares | $ |
|---|---|---|---|
| **2016** | | | |
| Balance at the beginning of the year | | 57,492,814 | 17,637,006 |
| Conversion of vendors & advisors performance shares on achieving milestone – 2 September 2015 | $0.20 | 4,096,946 | 819,389 |
| Conversion of management performance shares on achieving milestone – 14 September 2015 | $0.14 | 1,000,000 | 140,000 |
| Issued for cash pursuant to placement – 19 November 2015 | $0.45 | 8,549,334 | 3,847,199 |
| Issued for cash pursuant to placement – 23 November 2015 | $0.45 | 4,094,444 | 1,842,500 |
| Conversion of performance shares on achieving milestone – 29 December 2015 | $0.36 | 900,000 | 324,000 |
| Conversion of performance shares on achieving milestone – 29 December 2015 | $0.289 | 900,000 | 260,100 |
| Issued as consideration for advisory fees – 29 December 2015 | $0.45 | 268,888 | 121,000 |
| Issued as employee incentives – 11 March 2016 | $0.38625 | 800,000 | 309,000 |
| Exercise of options expiring 25 November 2016 | $0.25 | 197,000 | 49,250 |
| Exercise of options expiring 31 January 2018 | $0.25 | 1,630,000 | 407,500 |
| Share issue costs | | | (301,244) |
| Balance at the end of the year | | 79,929,426 | 25,455,700 |

## 11. Issued Capital (continued)

### Options

At the end of the year, the following options over unissued ordinary shares were outstanding:

| Grant Date | Expiry Date | Exercise Price | Number under Option |
|---|---|---|---|
| 15 December 2014 | 31 January 2018 | $0.25 | 1,370,000 |
| 27 February 2015 | 27 February 2018 | $0.25 | 600,000 |
| 9 June 2015 | 30 June 2018 | $0.40 | 2,700,000 |
| 30 June 2015 | 31 March 2019 | $0.25 | 2,250,000 |
| 31 March 2016 | 31 March 2019 | $0.72 | 100,000 |
| 16 November 2016 | 27 January 2019 | $0.60 | 2,000,000 |
| 16 November 2016 | 27 January 2020 | $0.80 | 2,000,000 |
| 22 December 2016 | 31 March 2020 | $0.40 | 1,050,000 |
| | | | 12,070,000 |

### Performance shares

No performance shares were outstanding at the end of the year.

### Unvested shares

The following shares have been offered to employees as at the end of the year and will be issued upon continued service up to the vesting dates:

| Offer Date | Vesting Date | Number of Unvested Shares |
|---|---|---|
| 22 May 2015 | 1 March 2018 | 700,000 |
| 6 December 2016 | 1 March 2018 | 325,000 |
| 6 December 2016 | 1 March 2019 | 325,000 |
| | | 1,350,000 |

### Capital risk management

The group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that benefits to stakeholders and an optimum capital structure are maintained.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders, cancel capital, issue new shares or options or sell assets.

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |

## 12. Reserves

| | | |
|---|---|---|
| Option reserve | **3,022,382** | 2,311,316 |
| Performance share reserve | **2,663,034** | 2,947,583 |
| Unvested share reserve | **308,946** | 276,330 |
| Foreign currency reserve | **(2,143)** | - |
| | **5,992,219** | 5,535,229 |

**Option reserve**

The option reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

| | | |
|---|---|---|
| *Movement in option reserve:* | | |
| Balance at the beginning of the year | **2,311,316** | 1,495,943 |
| Options issued as consideration for capital raising services | **413,600** | - |
| Bonus options issued to service provider | **-** | 34,950 |
| Allocation of incentive based share options values over vesting period – directors and key management | **-** | 433,150 |
| Allocation of incentive based share options values over vesting period – employees | **297,466** | 347,273 |
| Balance at the end of the year | **3,022,382** | 2,311,316 |

**Performance share reserve**

The performance share reserve is used to record the value of performance shares issued as share based payments until the performance shares are converted into fully paid ordinary shares upon achievement of performance based milestones.

| | | |
|---|---|---|
| *Movement in performance share reserve:* | | |
| Balance at the beginning of the year | **2,947,583** | 3,756,896 |
| Allocation of incentive share based payment over vesting period – management performance shares | **-** | 161,057 |
| Allocation of incentive share based payment over vesting period – directors and key management | **-** | 573,119 |
| Converted into ordinary shares upon achievement of performance milestone | **-** | (1,543,489) |
| Reversal of incentive share based payment – management performance shares cancelled upon milestones not being achieved by expiry date | **(284,549)** | - |
| Balance at the end of the year | **2,663,034** | 2,947,583 |

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|

## 12. Reserves (continued)

### Unvested share reserve

The unvested share reserve is used to record the value of shares formally offered and accepted as share based payments until the shares are issued on a future specified vesting date.

| | 2017 $ | 2016 $ |
|---|---|---|
| *Movement in unvested share reserve:* | | |
| Balance at the beginning of the year | **276,330** | - |
| Allocation of incentive share based payment over vesting period – employee shares | **448,866** | 585,330 |
| Shares issued on vesting date | **(416,250)** | (309,000) |
| Balance at the end of the year | **308,946** | 276,330 |

### Foreign currency reserve

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

| | 2017 $ | 2016 $ |
|---|---|---|
| *Movement in foreign currency reserve:* | | |
| Balance at the beginning of the year | **-** | - |
| Currency translation differences | **(2,143)** | - |
| Balance at the end of the year | **(2,143)** | - |

## 13. Accumulated Losses

| | 2017 $ | 2016 $ |
|---|---|---|
| Balance at the beginning of the year | **(20,102,131)** | (10,801,476) |
| Loss attributable to owners of Dubber Corporation Limited | **(9,853,902)** | (9,300,655) |
| Balance at the end of the year | **(29,956,033)** | (20,102,131) |

## 14. Earnings per Share (EPS)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 2017 | 2016 |
|---|---|---|
| **Earnings attributable to the owners of Dubber Corporation Limited used to calculate EPS** | | |
| Loss for the year | (9,853,902) | (9,300,655) |
| **Weighted average number of ordinary shares used in the calculation of EPS** | **No.** | **No.** |
| Weighted average number of ordinary shares used as the denominator in calculating basic EPS | 88,630,667 | 71,324,702 |

As the Company is in a loss position there is no diluted EPS calculated

## 15. Financial Risk Management

Financial instruments consist mainly of deposits with banks and accounts receivable and payable.

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

| | Weighted Average Interest Rate (%) | Note | 2017 $ | 2016 $ |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | 0.24 | 4 | **857,777** | 2,563,767 |
| Trade and other receivables | 0.07 | 5 | **1,484,794** | 327,319 |
| **Total Financial Assets** | | | **2,342,571** | 2,891,086 |
| **Financial Liabilities** | | | | |
| Trade and other payables | - | 8 | **2,275,851** | 976,036 |
| **Total Financial Instruments** | | | **66,720** | 1,915,050 |

The carrying amounts of these financial instruments approximate their fair values.

**Financial Risk Management Policies**
Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks inherent in technological activities and new business reviews are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for research expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensures capital can be raise in advance of shortages. Interest rate risk is managed by limiting the amount interest bearing loans entered into by the Company. It is the Board's policy that no speculative trading in financial instruments be undertaken so as to limit expose to price risk.

Primary responsibility for identification and control of financial risks rests with the Managing Director, under the authority of the Board. The Board is apprised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in Note 1 to the financial statements. The carrying values less the impairment allowance for receivables and payables are assumed to approximate fair values due to their short term nature. Cash and cash equivalents are subject to variable interest rates.

**Specific Financial Risk Exposures and Management**

**(a) Credit risk**

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

The Company trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Company's policy to secure its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The majority of cash and deposits is held with Westpac Banking Corporation, an AA3 credit rated bank.

## 15. Financial Risk Management (continued)

### (b) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Company's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Company monitors its ongoing research and development cash requirements and raises equity funding as and when appropriate to meet such planned requirements. The Company has undrawn financing facilities. Trade and other payables, the only financial liability of the Company, are due within 3 months.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

*Financial liability and financial asset maturity analysis*

| | Within 1 Year | | 1 to 5 Years | | Total Contractual Cash Flow | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| **Financial assets – cash flows receivable** | | | | | | |
| Trade and other receivables | 1,484,794 | 327,319 | - | - | 1,484,794 | 327,319 |
| Total expected inflows | 1,484,794 | 327,319 | - | - | 1,484,794 | 327,319 |
| **Financial liabilities due for payment realisable** | | | | | | |
| Trade and other payables | 2,275,851 | 976,036 | - | - | 2,275,851 | 976,036 |
| Total anticipated outflows | 2,275,851 | 976,036 | - | - | 2,275,851 | 976,036 |
| Net (outflow)/inflow on financial instruments | (791,057) | (648,717) | - | - | (791,057) | (648,717) |

### (c) Market risk

*i. Interest rate risk*

The Company's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. The Company does not have any borrowings or enter into hedges. An increase/(decrease) in interest rates by 0.5% during the whole of the respective periods would have led to an increase/(decrease) in losses of less than $1,828.

### (d) Fair value

The Group does not have any financial instruments that are subject to recurring fair value measurements. Due to their short-term nature, the carrying amounts of the current receivables and current trade and other payables is assumed to approximate their fair value.

|  | Consolidated |  |
|---|---|---|
|  | 2017 | 2016 |
|  | $ | $ |

## 16. Auditors' Remuneration

|  |  |  |
|---|---|---|
| Remuneration of the auditor of the Company, BDO Audit (WA) Pty Ltd, for: |  |  |
| Audit services | **44,377** | 49,603 |
| Taxation advice – BDO Corporate Tax (WA) Pty Ltd | **34,531** | 28,834 |
| Total remuneration to auditors | **78,908** | 78,437 |

## 17. Contingent Liabilities

The Consolidated entity has no material contingent liabilities as at reporting date (2016: Nil).

## 18. Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis that it has only one main operating segment, being the Dubber technology suite. All the Group's activities are interrelated, and discrete financial information is reported to the Board of Directors as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The accounting policies applied for internal purposes are consistent with those applied in the preparation of these financial statements.

| | Corporate<br>$ | Technology<br>$ | Total<br>$ |
|---|---|---|---|
| **Year Ended 30 June 2017** | | | |
| Revenue | **11,166** | **1,957,832** | **1,968,998** |
| Result (Loss) | **(1,883,365)** | **(7,970,537)** | **(9,853,902)** |
| Total assets | **386,048** | **9,734,113** | **10,120,161** |
| Total liabilities | **(323,843)** | **(2,447,796)** | **(2,771,639)** |
| Acquisition of non-current assets | **-** | **53,684** | **53,684** |
| Depreciation of non-current assets | **-** | **(22,692)** | **(22,692)** |
| Intangible assets | **-** | **7,402,610** | **7,402,610** |
| Amortisation | **-** | **(1,541,107)** | **(1,541,107)** |
| **Year Ended 30 June 2016** | | | |
| Revenue | 19,776 | 984,635 | 1,004,411 |
| Result (Loss) | (3,478,712) | (5,821,943) | (9,300,655) |
| Total assets | 2,211,912 | 9,819,047 | 12,030,959 |
| Total liabilities | (256,818) | (885,343) | (1,142,161) |
| Acquisition of non-current assets | - | 42,191 | 42,191 |
| Depreciation of non-current assets | (220) | (8,787) | (9,007) |
| Intangible assets | - | 8,943,717 | 8,943,717 |
| Amortisation | - | (1,237,050) | (1,237,050) |

## 19. Related Party Transactions

**Subsidiaries**

The consolidated financial statements include the financial statements of Dubber Corporation Limited and the subsidiaries listed in the following table:

| | Country of Incorporation | Class of Shares | Equity Holding 2017 % | Equity Holding 2016 % |
|---|---|---|---|---|
| Medulla Group Pty Ltd | Australia | Ordinary | **100** | 100 |
| Dubber Pty Ltd | Australia | Ordinary | **100** | 100 |
| Dubber Ltd | England and Wales | Ordinary | **100** | 100 |
| Dubber USA Pty Ltd | Australia | Ordinary | **100** | - |
| Dubber, Inc. | United States of America | Ordinary | **100** | - |

**Parent entity**

Dubber Corporation Limited is the ultimate Australian parent entity and ultimate parent of the Group.

**Key management personnel**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of Dubber Corporation Limited's key management personnel for the year ended 30 June 2017.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Short-term employee benefits | **1,291,919** | 1,356,195 |
| Long-term benefits | **59,414** | 22,455 |
| Post-employment benefits | **72,887** | 74,832 |
| Share-based payments | **-** | 1,167,327 |
| | **1,424,220** | 2,620,809 |

**Other transactions with key management personnel**

Platform testing consulting fees totalling $68,000 (2016: $70,818) were charged by Prueba Pty Ltd, a company associated with Mr Steve McGovern. Trade payables at 30 June 2016 included a balance of $4,400 payable to Prueba Pty Ltd.

Telephony services totalling $2,736 (2016: $2,472) were provided by Canard Pty Ltd, a company associated with Mr Steve McGovern and Mr Adrian Di Pietrantonio. Trade payables at 30 June 2017 include a balance of $670 (30 June 2016: nil) payable to Canard Pty Ltd.

## 19. Related Party Transactions (continued)

Intelligent Voice and 1300 MY SOLUTION are businesses associated with Mr Steve McGovern and Mr Adrian Di Pietrantonio. The Group earned service fee income of $40,217 (2016: $32,572) from Intelligent Voice and $294,733 (2016: $293,714) from 1300 MY SOLUTION.

Other payables at 30 June 2016 included an accrual of $75,000 for the cash bonus payable to Mr Steve McGovern for the period January to June 2016 included in the remuneration table above for 2016.

Other receivables at 30 June 2017 includes an amount of $140,977 (30 June 2016: $140,977) receivable from the Medulla Group Pty Ltd vendors, including Mr Steve McGovern, Mr James Slaney and Mr Adrian Di Pietrantonio.

Amounts included in the remunerations for Mr Stephe Wilks and Mr Gavin Campion were paid to their consultancy companies High Expectations Pty Ltd and Hydria Plenus Pty Ltd respectively. An amount of $9,000 included in the remuneration table above for 2016 for Mr Peter Pawlowitsch was paid to his consultancy company Gyoen Pty Ltd for advisory services outside his usual Board duties.

All transactions are conducted on normal commercial terms and on an arm's length basis.

## 20. Cash Flow Information

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| **Reconciliation of loss for the year to net cash flows from operating activities** | | |
| Net loss for the period | **(9,853,902)** | (9,300,655) |
| *Non-cash flows in loss:* | | |
| Depreciation and amortisation | **1,563,799** | 1,246,057 |
| Share based payments | **461,783** | 2,255,879 |
| Net exchange differences | **(3,308)** | - |
| *Changes in assets and liabilities:* | | |
| Increase in trade and other receivables | **(298,624)** | (101,719) |
| Increase/(Decrease) in trade and other payables | **920,474** | (37,089) |
| Increase in provisions | **166,761** | 72,821 |
| Net cash outflows from operating activities | **(7,043,017)** | (5,864,706) |

## 21. Share Based Payments

**Value of share based payments in the financial statements**

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Expensed – directors and other key management personnel remuneration: | | |
| Performance options | **-** | 433,150 |
| Performance shares | **-** | 573,119 |
| Management performance shares | **-** | 161,058 |
| | **-** | 1,167,327 |
| Expensed – other employees remuneration: | | |
| Fully paid ordinary shares | **416,250** | 309,000 |
| Employee options | **297,466** | 347,272 |
| Offered but unissued shares | **32,616** | 276,330 |
| | **746,332** | 932,602 |
| Expensed – consulting fees: | | |
| Fully paid ordinary shares | **-** | 121,000 |
| Unlisted options | **-** | 34,950 |
| Management performance shares | **(284,549)** | - |
| | **(284,549)** | 155,950 |
| Share based payments in capital raising costs: | | |
| Unlisted options | **413,600** | - |
| | **875,383** | 2,255,879 |

## 21. Share Based Payments (continued)

**Summary of share based payments**

***Shares:***

During the year, the Company issued 1,025,000 fully paid ordinary shares valued at $416,250 on the vesting date of shares offered as incentives to employees.

During the previous year, the Company issued:

- 268,888 fully paid ordinary shares as consideration for advisory fees of $121,000; and
- 800,000 fully paid ordinary shares valued at $309,000 on the vesting date of shares offered as incentives to employees.

***Options:***

Set out below are the summaries of options granted as share based payments:

**2017**

| Grant Date | Expiry Date | Exercise Price | Defer Type | Balance 01/07/16 | Granted | Exercised | Expired or Forfeited | Balance 30/06/17 | Number vested and exercisable |
|---|---|---|---|---|---|---|---|---|---|
| 25/11/13 | 25/11/16 | $0.25 | | 803,000 | - | (600,000) | (203,000) | - | - |
| 15/12/14 | 31/01/18 | $0.25 | | 1,370,000 | - | - | - | 1,370,000 | 1,370,000 |
| 27/02/15 | 27/02/18 | $0.25 | | 600,000 | - | - | - | 600,000 | 600,000 |
| 9/06/15 | 30/06/18 | $0.40 | | 2,700,000 | - | - | - | 2,700,000 | 2,700,000 |
| 30/06/15 | 31/03/19 | $0.25 | 2. | 2,250,000 | - | - | - | 2,250,000 | 1,500,000 |
| 31/03/16 | 31/03/19 | $0.72 | | 100,000 | - | - | - | 100,000 | 100,000 |
| 16/11/16 | 27/01/19 | $0.60 | | - | # 2,000,000 | - | - | 2,000,000 | 2,000,000 |
| 16/11/16 | 27/01/20 | $0.80 | 3. | - | 2,000,000 | - | - | 2,000,000 | - |
| 22/12/16 | 31/03/20 | $0.40 | 4. | - | 1,050,000 | - | - | 1,050,000 | 350,000 |
| | | | | 7,823,000 | 5,050,000 | (600,000) | (203,000) | 12,070,000 | 8,620,000 |
| Weighted average exercise price | | | | $0.31 | $0.64 | $0.25 | $0.25 | $0.45 | $0.39 |

# - 2,000,000 options were issued to Aesir Capital Pty Ltd as payment for share issue costs at an exercise price of $0.60 valued at $413,600. These options had no vesting conditions and were fully expensed during the year ended 30 June 2017. The factors used in the determination of option fair value are summarised in the table at page 55.

**2016**

| Grant Date | Expiry Date | Exercise Price | Defer Type | Balance 01/07/15 | Granted | Exercised | Expired or Forfeited | Balance 30/06/16 | Number vested and exercisable |
|---|---|---|---|---|---|---|---|---|---|
| 25/11/13 | 25/11/16 | $0.25 | | 1,000,000 | - | (197,000) | - | 803,000 | 803,000 |
| 15/12/14 | 31/01/18 | $0.25 | | 3,000,000 | - | (1,630,000) | - | 1,370,000 | 1,370,000 |
| 27/02/15 | 27/02/18 | $0.25 | | 600,000 | - | - | - | 600,000 | 600,000 |
| 9/06/15 | 30/06/18 | $0.40 | 1. | 2,700,000 | - | - | - | 2,700,000 | 2,700,000 |
| 30/06/15 | 31/03/19 | $0.25 | 2. | 2,250,000 | - | - | - | 2,250,000 | 750,000 |
| 31/03/16 | 31/03/19 | $0.72 | | - | 100,000 | - | - | 100,000 | 100,000 |
| | | | | 9,550,000 | 100,000 | (1,827,000) | - | 7,823,000 | 6,323,000 |
| Weighted average exercise price | | | | $0.29 | $0.72 | $0.25 | | $0.31 | $0.32 |

## 21. Share Based Payments (continued)

The various deferred vesting options listed above are subject to milestones or vesting dates which are listed below. Probability of achieving these milestones or vesting dates have been assessed at 100% unless otherwise stated.

1. Performance options had converted into unlisted exercisable options on 29 December 2015 upon the achievement of the following milestones:
   Milestone 1: The Company achieving a share price with a 20 day VWAP over 50 cents.
   Milestone 2: The Company achieving a share price with a 20 day VWAP over 75 cents.

2. Employee options vest and become exercisable on the following dates provided the employee is an employee of the Company at the relevant vesting date:
   Vesting date 1: 1 March 2016 - 750,000 options
   Vesting date 2: 1 March 2017 - 750,000 options
   Vesting date 3: 1 March 2018 - 750,000 options

3. Unlisted options issued to Aesir Capital Pty Ltd, vesting upon the completion of a subsequent capital raising in the amount of $15,000,000 or more that is managed and facilitated by Aesir Capital Pty Ltd and completes within 15 months of the share placement that was completed on 14 December 2016. The Company considers it unlikely these options will vest and no value has been allocated during the year for this share based payment.

4. Employee options vest and become exercisable on the following dates provided the employee is an employee of the Company at the relevant vesting date:
   Vesting date 1: 1 March 2017 - 350,000 options
   Vesting date 2: 1 March 2018 - 350,000 options
   Vesting date 3: 1 March 2019 - 350,000 options

The assessed fair values of the options was determined using a binomial option pricing model or Black-Scholes model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underling share, expected yield and the risk-free interest rate for the term of the option. For the options granted during the current financial year, the inputs to the model used were:

| Grant date | 16/11/2016 | 16/11/2016 | 22/12/2016 |
|---|---|---|---|
| Dividend yield (%) | - | - | - |
| Expected volatility (%) | 100% | 100% | 100% |
| Risk-free interest rate (%) | 1.760% | 1.820% | 2.040% |
| Expected life of options (years) | 2 | 3 | 3.27 |
| Underlying share price ($) | $0.45 | $0.45 | $0.42 |
| Option exercise price ($) | $0.60 | $0.80 | $0.40 |
| Value of option ($) | $0.2068 | $0.2292 | $0.2751 |

The weighted average remaining contractual life of share-based payment options that were outstanding as at 30 June 2017 was 1.59 years (2016: 1.96 years).

The weighted average fair value of share-based payment options granted during the year was $0.2299 (2016: $0.3495) each.

## 21. Share Based Payments (continued)

***Performance shares:***

Each performance share converts into one fully paid ordinary share for nil cash consideration, upon the achievement of performance based milestones.

Set out below are the summaries of performance shares issued as share based payments:

**2017**

| Type | Grant Date | Expiry Date | Balance 01/07/16 | Granted | Converted | Forfeited | Balance 30/06/17 |
|---|---|---|---|---|---|---|---|
| 1. | 28/11/14 | 27/05/17 | 3,000,000 | - | - | (3,000,000) | - |
| | | | 3,000,000 | - | - | (3,000,000) | - |

**2016**

| Type | Grant Date | Expiry Date | Balance 01/07/15 | Granted | Converted | Forfeited | Balance 30/06/16 |
|---|---|---|---|---|---|---|---|
| 1. | 28/11/14 | 27/05/17 | 4,000,000 | - | (1,000,000) | - | 3,000,000 |
| 2. | 27/02/15 | 27/08/15 | 204,848 | - | (204,848) | - | - |
| 3. | 9/06/15 | 30/06/18 | 1,800,000 | - | (1,800,000) | - | - |
| | | | 6,004,848 | - | (3,004,848) | - | 3,000,000 |

The weighted average remaining contractual life of performance shares outstanding at 30 June 2017 was nil years (2016: 0.91 years).

The various performance shares listed above were subject to milestones which are listed below.

1. Management performance shares
   Milestone 1: Upon all of the following being achieved:
   (a) enter into 1 Australian re-seller agreement for the Dubber technology suite;
   (b) enter into re-seller and deployment partner agreement for the Dubber technology suite;
   (c) enter into a re-seller integration partner agreement with 1 Australian based telecommunications Carrier for the Dubber technology suite;
   (d) enter into a partner agreement with a technology company which will assist with establishing a re-seller/integration agreement for the Dubber technology suite in a jurisdiction outside of Australia.
   Milestone 2: Upon the following being achieved:
   $30,000 (ex GST) in billed monthly revenue via channel.
   Milestone 3: Upon the following being achieved:
   $100,000 (ex GST) ¡n billed monthly revenue via channel.
   Milestone 4: Upon the following being achieved:
   The Company breaking even, based on EBITDA over a rolling 3 month period. If this milestone is achieved, then Milestones 1, 2 and 3 will be deemed achieved.

   Milestone 1 was achieved on 14 September 2015 and 1,000,000 performance shares were converted into fully paid ordinary shares.
   Milestones 2, 3 and 4 expired on 27 May 2017 and 3,000,000 performance shares were cancelled.

## 21. Share Based Payments (continued)

2. Vendors advisors' performance shares
   Milestone 2: The Company attaining 3,000 paying end users by six months.
   Milestone was achieved and performance shares were converted into fully paid ordinary shares on 2 September 2015.

3. Performance shares
   Milestone 1: The Company achieving a share price with a 20 day VWAP over 50 cents.
   Milestone 2: The Company achieving a share price with a 20 day VWAP over 75 cents.
   Milestones were achieved and performance shares were converted into fully paid ordinary shares on 29 December 2015.

***Offered but unissued shares***

The Company formally offered the following shares to employees. The shares are not issued to the employees until the vesting date provided the employee is an employee of the Company at the relevant vesting date.

**2017**

| Offer Date | Vesting Date | Balance 01/07/16 | Offered | Ord FP Shares Issued | Forfeited | Balance 30/06/17 |
|---|---|---|---|---|---|---|
| 22/05/15 | 1/03/17 | 700,000 | - | (700,000) | - | - |
| 22/05/15 | 1/03/18 | 700,000 | - | - | - | 700,000 |
| 6/12/16 | 1/03/17 | - | 325,000 | (325,000) | - | - |
| 6/12/16 | 1/03/18 | - | 325,000 | - | - | 325,000 |
| 6/12/16 | 1/03/19 | - | 325,000 | - | - | 325,000 |
| | | 1,400,000 | 975,000 | (1,025,000) | - | 1,350,000 |

**2016**

| Offer Date | Vesting Date | Balance 01/07/15 | Offered | Ord FP Shares Issued | Forfeited | Balance 30/06/16 |
|---|---|---|---|---|---|---|
| 22/05/15 | 1/03/16 | 800,000 | - | (800,000) | - | - |
| 22/05/15 | 1/03/17 | 700,000 | - | - | - | 700,000 |
| 22/05/15 | 1/03/18 | 700,000 | - | - | - | 700,000 |
| | | 2,200,000 | - | (800,000) | - | 1,400,000 |

## 22. Parent Entity Disclosures

Summary Financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Statement of financial position | | |
| Current assets | **386,048** | 2,211,912 |
| Non-current assets | **7,286,317** | 8,933,704 |
| Total assets | **7,672,365** | 11,145,616 |
| | | |
| Current liabilities | **323,843** | 256,818 |
| Total liabilities | **323,843** | 256,818 |
| Net Assets | **7,348,522** | 10,888,798 |
| | | |
| Equity | | |
| Issued capital | **31,312,336** | 25,455,700 |
| Reserves | **5,994,362** | 5,535,229 |
| Accumulated losses | **(29,958,176)** | (20,102,131) |
| Total equity | **7,348,522** | 10,888,798 |
| | | |
| Loss for the year | **(9,856,045)** | (7,291,921) |
| Total comprehensive loss | **(9,856,045)** | (7,291,921) |

The parent entity had no expenditure commitments or contingent liabilities at 30 June 2017 or 30 June 2016.

## 23. Commitments

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| **Operating lease commitments** | | |
| Non-cancellable operating leases contracted for but not recognised in the financial statements: | | |
| Payable – minimum lease payments | | |
| - Not later than one year | **158,952** | 153,577 |
| - After one year but not more than five years | **219,979** | 378,931 |
| | **378,931** | 532,508 |

Medulla Group Pty Ltd entered into a lease for the Group's principal place of business on Russell Street in Melbourne with an unrelated landlord which commenced on 24 October 2014. The initial term of the lease is five years, with an option to extend for a further term of five years. Rental for the first year is $145,000 per annum, however the first five months of the term is subject to a rent free period. On each anniversary of the lease commencement date, the rent will be increased by a fixed rate of 3.5%.

The Company has not declared a dividend.

## 24. Events Subsequent to Year End

There are no matters or circumstances that have arisen since 30 June 2017 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years other than as follows.

Mr Gerard Bongiorno was appointed as a non-executive director of the Company on 2 July 2017.

On 13 July 2017, the Company issued 476,191 fully paid ordinary shares at an issue price of 42 cents each, raising $200,000. The shares were issued to a company associated with Mr Peter Pawlowitsch after shareholder approval was obtained on 30 June 2017 for the director to participate in the share placement announced on 8 December2016.

Mr Stephe Wilks resigned as non-executive director of the Company on 30 August 2017.

On 4 September 2017, the Company issued 300,000 fully paid ordinary shares following the exercise of 300,000 unlisted options exercisable at 25 cents each on or before 27 February 2018.

The Company announced on 18 September 2017 it had successfully completed a $7 million capital raising. The capital raising, which was oversubscribed, resulted in the placement of 20,000,000 fully paid ordinary shares at an issue price of 35 cents each. The shares were issued on 25 September 2017.

## 25. Outstanding Performance Shares

Following is a summary of the outstanding performance shares issued to the vendors of Medulla Group Pty Ltd and the vendor's advisors and management performance shares, on issue at the completion of the prospectus offer and acquisition of the Dubber technology suite on 27 February 2015.

| | **Performance Shares on Issue During the Year** | | | |
|---|---|---|---|---|
| | **Balance on Issue 01/07/16** | **Converted into Fully Paid Ordinary Shares** | **Forfeited** | **Balance on Issue 30/06/17** |
| Performance Shares Issued to Vendors: | | | | |
| Milestone 3 | 6,657,586 | - | (6,657,586) | - |
| Milestone 4 | 6,657,586 | - | (6,657,586) | - |
| Management Performance Shares: | | | | |
| Milestone 2 | 1,000,000 | - | (1,000,000) | - |
| Milestone 3 | 1,000,000 | - | (1,000,000) | - |
| Milestone 4 | 1,000,000 | - | (1,000,000) | - |
| | 16,315,172 | - | (16,315,172) | - |

Each performance share converts into one fully paid ordinary share for nil cash consideration, upon the achievement of the performance based milestones listed below.

<u>Performance Shares issued to Vendors</u>
Milestone 3: The Company attaining 100,000 paying end users (milestone expired 27 May 2017)
Milestone 4: The business operated by the Company breaking even, based on cash received versus cash paid over a rolling 3 month period. If this milestone is achieved, then Milestone 3 will be deemed achieved (milestone expired 27 May 2017)

<u>Management Performance Shares</u>
Milestone 2: Achieving $30,000 (ex GST) in billed monthly revenue via channel (milestone expired 27 May 2017)
Milestone 3: Achieving $100,000 (ex GST) in billed monthly revenue via channel (milestone expired 27 May 2017)
Milestone 4: The Company breaking even, based on EBITDA over a rolling 3 month period. If this milestone is achieved, then Milestones 2 and 3 will be deemed achieved (milestone expired 27 May 2017)

The financial report was authorised for issue on 26 September 2017 by the Board of Directors.

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, and:
   - (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   - (b) give a true and fair view of the financial position of the Company as at 30 June 2017 and of its performance for the financial year ended on that date.

2. The Managing Director and Chief Financial Officer have each declared that:
   - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   - (b) the financial statements and notes for the financial year comply with the accounting standards; and
   - (c) the financial statements and notes for the financial year give a true and fair view.

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

4. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

**Peter Pawlowitsch**
Director

Dated: 26 September 2017

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Australia

# INDEPENDENT AUDITOR'S REPORT

To the members of Dubber Corporation Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Dubber Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

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

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

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

### Key audit matters

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

## Carrying Value of Intangible Assets

| *Key audit matter* | *How the matter was addressed in our audit* |
| --- | --- |
| As detailed in Note 7 of the financial report, as at 30 June 2017, the Group has recognised an intangible asset of $7,402,610 (30 June 2016: $8,943,717).<br><br>An annual impairment test for Intangible Assets is required under Australian Accounting Standard (AASB) 136 Impairment of Assets.<br><br>The assessment of the carrying value of the Intangible Assets is considered to be a key audit matter due to the significance of the assets to the Group's consolidated financial position, and the assessment requires management to make significant judgements and estimates in determining the key assumptions used in the recoverable amount.<br><br>As set out in Note 7, the director's assessment of the recoverability is supported by a fair value less costs of disposal methodology. | We evaluated management's impairment assessment of the Goodwill by critically challenging the key estimates and assumptions used by management. Our procedures included, but were not limited to the following:<br><br>• We challenged the appropriateness of the Capitalised Market Approach (fair value less cost of disposal) valuation method used to determine the fair value in accordance with AASB 13 Fair Value;<br><br>• We assessed the carrying value of Dubber's net assets with regard to the group's market capitalisation as at 30 June 2017; and<br><br>• We assessed the adequacy of the group's disclosures and impairment assessment methodology as disclosed in note 7 to the financial report. |

## Other information

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

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

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

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

## Responsibilities of the directors for the Financial Report

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

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

### Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

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 11 to 20 of the directors' report for the year ended 30 June 2017.

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

### Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth, 26 September 2017

# Additional Shareholder Information

**The following additional information is current as at 26 September 2017.**

### CORPORATE GOVERNANCE:

The Company's Corporate Governance Statement is available on the Company's website at www.dubber.net/investors.

### SUBSTANTIAL SHAREHOLDER:

| Holder Name | Holding | % IC |
|---|---|---|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,118,229 | 5.23% |
| UBS NOMINEES PTY LTD | 6,093,613 | 5.21% |

| Holding Ranges | Holders | Total Units | % Issued Share Capital |
|---|---|---|---|
| 1 - 1,000 | 438 | 107,575 | 0.09% |
| 1,001 - 5,000 | 273 | 764,309 | 0.65% |
| 5,001 - 10,000 | 187 | 1,545,976 | 1.32% |
| 10,001 - 100,000 | 618 | 25,400,948 | 21.72% |
| 100,001 - 9,999,999,999 | 200 | 89,143,482 | 76.22% |
| **Totals** | **1,716** | **116,962,290** | **100.00%** |

There are 486 shareholders with less than a marketable parcel.

### VOTING RIGHTS

Each fully paid ordinary share carries voting rights of one vote per share.

**THE TOP 20 HOLDERS OF ORDINARY SHARES ARE:**

| Position | Holder Name | Holding | % IC |
|---|---|---|---|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,118,229 | 5.23% |
| 2 | UBS NOMINEES PTY LTD | 6,093,613 | 5.21% |
| 3 | STEVE MCGOVERN NOMINEES PTY LTD | 4,266,124 | 3.65% |
| 4 | PENELOPE SLANEY <PJ SLANEY FAMILY A/C> | 2,674,831 | 2.29% |
| 5 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 2,673,846 | 2.29% |
| 6 | ONE MANAGED INVESTMENT FUNDS LIMITED <TECHNICAL INVESTING ABSOLUTE RETURN A/C> | 2,460,072 | 2.10% |
| 7 | ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C> | 2,282,830 | 1.95% |
| 8 | GLENEAGLE SECURITIES NOMINEES PTY LIMITED | 2,055,000 | 1.76% |
| 9 | MR MARK MADAFFERI | 1,752,013 | 1.50% |
| 10 | MRS LORIE MAI HO | 1,255,554 | 1.07% |
| 11 | CHUA & KIANG PTY LIMITED | 1,220,000 | 1.04% |
| 12 | ARREDO PTY LTD | 1,190,477 | 1.02% |
| 13 | EARTHRISE HOLDINGS PTY LTD <THE CAMPION INVESTMENT A/C> | 1,100,000 | 0.94% |
| 14 | VENN MILNER SUPERANNUATION PTY LTD | 1,050,000 | 0.90% |
| 15 | BOSTON FIRST CAPITAL PTY LTD | 1,035,714 | 0.89% |
| 16 | YARDIE (WA) PTY LTD <A W SMITH FAMILY A/C> | 1,025,000 | 0.88% |
| 17 | CHUA & KIANG PTY LIMITED | 987,559 | 0.84% |
| 18 | ONE MANAGED INVESTMENT FUNDS LIMITED <TI FAMILY WEALTH A/C> | 980,555 | 0.84% |
| 19 | V M NOMINEES PTY LTD | 950,000 | 0.81% |
| 20 | DOMAEVO PTY LTD <THE JCS A/C NO 2> | 800,000 | 0.68% |
| 20 | MORPARQ PTY LTD | 800,000 | 0.68% |
| | **Totals** | **42,771,417** | **36.57%** |
| | **Total Issued Capital** | **116,962,290** | **100.00%** |

**UNQUOTED EQUITY SECURITIES**

| Number | Number of Holders | Class | Holders More than 20% |
|---|---|---|---|
| 1,290,000 | 12 | Unlisted options exercisable at 25 cents expiring 31/1/2018 | Morparq Pty Ltd (400,000) |
| 380,000 | 2 | Unlisted options exercisable at 25 cents expiring 27/2/2018 | Closeburn Pty Ltd (300,000) |
| 2,700,000 | 7 | Unlisted options exercisable at 40c per option on or before 30 June 2018 | Steve McGovern Nominees Pty Ltd (1,200,000) |
| 2,250,000 | 8 | Unlisted options exercisable at 25 cents expiring 31/3/2019 vesting 1/3/2016, 1/3/2017, 1/3/2018 | ESOP |
| 100,000 | 1 | Unlisted options exercisable at 72 cents expiring 31/3/2019 | Stamford Vision Pte Ltd |
| 1,050,000 | 4 | Unlisted options exercisable at 40 cents expiring 31/3/2020 | ESOP |
| 2,000,000 | 1 | Unlisted options exercisable at $0.60 expiring 27 January 2019. | Aesir Capital Pty Ltd |
| 2,000,000 | 1 | Unlisted options exercisable at $0.80 expiring 27 January 2020 and subject to vesting conditions. | Aesir Capital Pty Ltd |