



archTIS Limited
ABN 79 123 098 671
Annual Report
30 June 2018



archTIS Limited
ABN 79 123 098 671
Corporate directory
30 June 2018

Directors	Stephen Smith Daniel Lai Bruce Talbot Leanne Graham Wayne Zekulich
Company secretary	Baden Bowen
Registered office	Level 3, archTIS House 10 National Circuit Barton ACT 2600
Principal place of business	Level 3, archTIS House 10 National Circuit Barton ACT 2600
Share register	Automic Level 2, 267 St Georges Terrace Perth, WA 6000
Auditor	RSM Australia Pty Ltd Equinox Building 4, Level 2 70 Kent Street Deakin, ACT 2600
Accountants	mgi Joyce Dickson Level 1, 65 Canberra Avenue Griffith, ACT 2603
Solicitors	Steinepreis Paganin 16 Milligan Street, Perth, WA 6000
Bankers	Westpac Banking Corporation 6-8 Wollongong Street Fyshwick, ACT 2609
Stock exchange listing	archTIS Limited shares are listed on the Australian Stock Exchange (ASX: AR9)
Website	www.archtis.com
Corporate Governance Statement	https://www.archtis.com/company/investor-relations/

archTIS Limited

ABN 79 123 098 671

Directors' report

30 June 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of archTIS Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

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

Stephen Smith (Appointed 1 February 2018)
Daniel Lai
Bruce Talbot
Leanne Graham (Appointed 1 February 2018)
Wayne Zekulich (Appointed 1 February 2018)
Phillip Dean (Resigned 1 February 2018)
James Hyndes (Resigned 1 February 2018)
Darren Patterson (Resigned 31 July 2017)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Development of secure information management and collaboration software and appliance solutions.
- Consulting and solutions services for secure information sharing and inter-organisational collaboration.

Dividends

There have been no dividends paid or declared since the start of the financial year.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,091,466 (30 June 2017: \$1,132,202). The consolidated entity focused on product research and development with a consequent reduction in consulting and services revenues.

In April 2018 the company changed its status to a public company limited by shares, adopted a new constitution and changed its name to archTIS Limited. In order to meet the funding requirements of the future research and development, the directors raised \$5,533,686 during the year and commenced the process to undertake an initial public offer (IPO) in August 2018 to raise additional capital of \$8,000,000. The IPO was successfully completed in September 2018 and the company was listed on the Australian Stock Exchange on 21 September 2018.

During the year the company capitalised costs related to its product development that are expected to be recouped in the future. A successful conclusion from research and development is inherently risky. The company is focused on bringing its product to the market in a timely and cost effective manner.

Significant changes in the state of affairs

In April 2018 the company changed its status to a public company limited by shares, adopted a new constitution and changed its name to archTIS Limited. In May 2018 the parent entity acquired 100% of the ordinary shares of archTIS Solutions Pty Ltd for the total consideration of \$10 and 100% of the ordinary shares of archTIS Services Pty Ltd for the total consideration of \$10. Neither company commenced operations prior to 30 June 2018.

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

Matters subsequent to the end of the financial year

In July 2018 the company commenced the process to undertake an initial public offer in August 2018 to raise additional capital of \$8,000,000. The capital raise was fully subscribed and the investment funds have been received. The company was listed on the Australian Stock Exchange on 21 September 2018. In July 2018 share options at 1.9% of capital were issued and in September 2018 the lead managers of the initial public offer were issued share options at 6% of capital. In August 2018 archTIS Solutions Pty Ltd, a subsidiary of the parent entity established an office in the Czech Republic. archTIS Solutions Pty Ltd will engage and manage a software development team based in the Czech Republic. The company's Product Manager and Product Requirements, Learning, Marketing and Capability Development Manager have relocated to the Czech Republic to manage and lead the development team. There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

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Information about the directors

The names and particulars of the directors of the company during or since the end of the financial year are:

Name: Stephen Smith
Title: Non-Executive Chairman
Qualifications: LLM (London)
Experience and expertise: Stephen Smith is a former Australian politician who was a member of the House of Representatives from 1993 to 2013. He served as a minister in the Rudd and Gillard Governments, including as Minister for Foreign Affairs (2007-2010), Minister for Trade (2010), and Minister for Defence (2010-2013). He was appointed Winthrop Professor of International Law at the University of Western Australia in 2014.
He has served as a member of the Ernst & Young Oceania Government and Public Sector Advisory Board and was a Board member of Hockey Australia. He is currently a member of the Board of the LNG Marine Fuel Institute and the board of the Perth USAsia Centre.

Other current directorships: None

Former directorships (last 3

years): None

Special responsibilities: None

Interests in shares: None

Interests in options: 1,080,000

Name: Daniel Lai
Title: Chief Executive Officer
Qualifications: BCom (UC)
Experience and expertise: Daniel is a founding member of the Company and has successfully developed the business with its partners to be recognised by the Australian and United States Departments of Defence as a thought leader in information sharing strategies.
Daniel has extensive experience in successfully delivering outcomes as part of a senior executive team for government and for multi-national software companies. Most importantly, Daniel has direct experience of successfully implementing organisational change in rapidly evolving business environments

Other current directorships: None

Former directorships (last 3

years): None

Special responsibilities: None

Interests in shares: 7,284,252 Ordinary shares

Interests in options: 1,800,000

Contractual rights to

shares: None

Name: Bruce Talbot
Title: Chief Technology Officer
Qualifications: MBT (UNSW) AdvDip CompEng AdvDip RadarEng Dip ElectEng MAICD.
Experience and expertise: Bruce served with the Royal Australian Air Force, and has worked with government agencies with sensitive data management requirements, as well as private sector roles working with clients within the Australian Federal Government, State Governments and large strategic corporate accounts.
He has been involved in systems architectures, Security Management, Application Management and Delivery and Information Management for his entire career.

Other current directorships: None

Former directorships (last 3

years): None

Special responsibilities: None

Interests in shares: 7,396,436 ordinary shares

Interests in options: 1,080,000

Name: Leanne Graham
Title: Non-Executive Director
Qualifications:
Experience and expertise: Leanne Graham has over 30 years of executive sales and technology experience, having founded a number of successful software development businesses as well as serving as the former New Zealand General Manager of ASX listed company, Xero.
Leanne is the former CEO of GeoOp Ltd. She led the company through multiple rounds of capital raising, listing on the New Zealand Stock Exchange, growing to over 40 staff with customers in 34 countries and \$1 million annualised monthly subscription revenues.

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Other current directorships: Chair and Non-Executive Director of VPCL Limited (since October 2015) and Non-Executive Director of BidEnergy Limited (since July 2016)

Former directorships (last 3 years): Executive Director and CEO of GeoOp Ltd (resigned May 2016)

Special responsibilities: None
Interests in shares: 50,000 Ordinary shares
Interests in options: 540,000

Name: Wayne Zekulich
Title: Non-Executive Director
Qualifications: BBus (WAIT), FCA
Experience and expertise: Wayne is a consultant with extensive banking and investment banking experience covering mergers and acquisitions, arranging and underwriting financings and debt and equity capital markets. Wayne is a member of the Curtin Business School of Accounting Advisory Board and the John Curtin Gallery Board, a member of the University of Western Australia Audit Committee and a Board member of ARTrinsic Inc.

Other current directorships: None

Former directorships (last 3 years): Non-Executive Director of Cleveland Mining Limited (from February 2015 to January 2016).

Special responsibilities: None
Interests in shares: 100,000 ordinary shares
Interests in options: 540,000

Name: Phillip Dean
Title: Commercial Manager
Qualifications: BSc (ANU)
Experience and expertise: Phillip's career spans 35 years in government and in the IT industry. This experience includes many years working as a supplier to the Department of Defence, as well as within the Department, and as a Ministerial staffer. Phillip joined the Board in September 2007 and resigned in February 2018.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director

Name: James Hyndes
Title: Former Non-Executive Director
Qualifications: BA Asian Studies BEc (ANU) GradDip AppFinInv
Experience and expertise: James is an Investment Banker. He joined the Board in a non-executive capacity in 2014 and resigned in February 2018. James is Founding Director of a private investment company and formerly a senior executive with major investment banks.

Other current directorships: None

Former directorships (last 3 years): Non-Executive Director of US Residential Limited (from November 2016 to December 2017)

Special responsibilities: None
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director

Name: Darren Patterson
Title: Former Non-Executive Director
Qualifications: MBA (Chicago) BCompSc (UTS)
Experience and expertise: Darren joined the Board in December 2016 and resigned in July 2017. He is a senior executive with both start-up and blue-chip technology companies.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director

Company secretary

Baden Bowen, BCom (UWA) FCA, has held the role of Company Secretary since November 2017. He is currently Company Secretary of CannPal Animal Therapeutics Limited and Sapien Cyber Limited. Baden is a Fellow of Chartered Accountants Australia and New Zealand.

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Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Attended	Held*
Stephen Smith	4	5
Daniel Lai	20	20
Bruce Talbot	20	20
Leanne Graham	5	5
Wayne Zekulich	4	5
Phillip Dean	16	16
James Hyndes	16	16
Darren Patterson	0	0

*Held: represents the number of meetings held during the time the director held office.

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 remuneration report is set out under the following main headings:

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

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

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

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing
- attracting and retaining high calibre executives

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

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

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

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors receive share options but no other incentives.

Executive remuneration

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

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The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2018.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of archTIS Limited:

- Stephen Smith - Non-Executive Chairman
- Leanne Graeme - Non-Executive Director
- Wayne Zekulich - Non-Executive Director
- Daniel Lai - Executive Director and Chief Executive Officer
- Bruce Talbot - Executive Director and Chief Technical Officer

And the following persons:

- Phillip Dean - Commercial Manager
- Martin Tuček - Product Manager
- Deborah Tuček - Product Requirements, Learning, Marketing and Capability Development Manager
- Gregory Ginnivan - Senior Account Executive
- Matthew Kluku - Senior Account Executive

There are no changes since the end of the reporting period.

Period	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options		
2018	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>									
Stephen Smith	21 February 2018 to 30 June 2018	25,000	-	-	2,375	-	-	15,578	42,953
Leanne Graeme	21 February 2018 to 30 June 2018	20,833	-	-	-	-	-	7,789	28,622
Wayne Zekulich	21 February 2018 to 30 June 2018	16,667	-	-	1,583	-	-	7,789	26,039
James Hyndes	1 July 2017 to 21 February 2018	22,500	-	-	-	-	-	15,578	38,078
Darren Patterson	1 July 2017 to 31 July 2017	-	-	-	-	-	-	-	-
<i>Executive Directors:</i>									
Daniel Lai	1 July 2017 to 30 June 2018	219,221	-	-	17,343	3,001	-	25,963	265,528
Bruce Talbot	1 July 2017 to 30 June 2018	250,372	-	-	20,302	(30,372)	-	15,578	255,880
<i>Other Key Management personnel:</i>									
Phillip Dean	1 July 2017 to 30 June 2018	200,054	-	-	17,105	3,001	-	15,578	235,738
Martin Tuček	1 July 2017 to 30 June 2018	166,340	-	-	15,943	-	-	-	182,283
Deborah Tuček	1 July 2017 to 30 June 2018	150,000	-	-	14,250	-	-	-	164,250
Gregory Ginnivan	14 May 2018 to 30 June 2018	11,196	-	-	1,060	-	-	-	12,256
Matthew Kluku	7 March 2018 to 30 June 2018	41,036	-	-	3,888	-	-	-	44,924
Total		1,123,219	-	-	93,849	(24,370)	-	103,853	1,296,551

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Period	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options		
2017	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>									
James Hyndes	1 July 2016 to 30 June 2017	12,500	-	-	-	-	227,951	-	240,451
Darren Patterson	1 December 2016 to 30 June 2017	102,000	-	-	-	-	-	-	102,000
<i>Executive Directors:</i>									
Daniel Lai	1 July 2016 to 30 June 2017	189,052	-	-	17,105	3,001	-	-	209,158
Bruce Talbot	1 July 2016 to 30 June 2017	189,052	-	-	17,105	3,001	-	-	209,158
Phillip Dean	1 July 2016 to 30 June 2017	189,052	-	-	17,105	3,001	-	-	209,158
<i>Total</i>		681,656	-	-	51,315	9,003	227,951	-	969,925

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Stephen Smith	100%	-	-	-	-	-
Leanne Graeme	100%	-	-	-	-	-
Wayne Zekulich	100%	-	-	-	-	-
James Hyndes	100%	100%	-	-	-	-
Darren Patterson	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Daniel Lai	100%	100%	-	-	-	-
Bruce Talbot	100%	100%	-	-	-	-
<i>Other Key Management personnel:</i>						
Phillip Dean	100%	100%	-	-	-	-
Martin Tuček	100%	100%	-	-	-	-
Deborah Tuček	100%	100%	-	-	-	-
Gregory Ginnivan	85%	-	-	-	15%	-
Matthew Klucken	95%	-	5%	-	-	-

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

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

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2018	2017	2018	2017
<i>Executive Directors:</i>				
Daniel Lai	-	-	-	-
Bruce Talbot	-	-	-	-
<i>Other Key Management personnel:</i>				
Phillip Dean	-	-	-	-
Martin Tuček	-	-	-	-
Deborah Tuček	-	-	-	-
Gregory Ginnivan	-	-	-	-
Matthew Klucken	0%	-	100%	-

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Service agreements

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

Name: Daniel Lai
Title: Executive Director and Chief Executive Officer
Agreement commenced: 15 December 2007
Term of agreement: On-going
Details: Base salary for the year ending 30 June 2019 of \$180,054 plus superannuation, to be reviewed annually by the Board. Directors' fee for the year ending 30 June 2019 of \$50,000 plus superannuation. 6 month termination notice by either party, non-solicitation and non-compete clauses.

Name: Bruce Talbot
Title: Executive Director and Chief Technical Officer
Agreement commenced: 15 December 2007
Term of agreement: On-going
Details: Base salary for the year ending 30 June 2019 of \$180,054 plus superannuation, to be reviewed annually by the Board. Directors' fee for the year ending 30 June 2019 of \$50,000 plus superannuation. 6 month termination notice by either party, non-solicitation and non-compete clauses.

Name: Phillip Dean
Title: Commercial Manager
Agreement commenced: 15 December 2007
Term of agreement: On-going
Details: Base salary for the year ending 30 June 2019 of \$180,054 plus superannuation, to be reviewed annually by the Board. 6 month termination notice by either party, non-solicitation and non-compete clauses.

Name: Martin Tuček
Title: Product Manager
Agreement commenced: 18 March 2013
Term of agreement: On-going
Details: Base salary for the year ending 30 June 2019 of \$200,000 plus superannuation, to be reviewed annually by the CEO, Share option bonus of 20%-60% as per Board approval and KPI achievement, 4 weeks termination notice by either party, non-solicitation and non-compete clauses.

Name: Deborah Tuček
Title: Product Requirements, Learning, Marketing and Capability Development Manager
Agreement commenced: 18 March 2013
Term of agreement: On-going
Details: Base salary for the year ending 30 June 2019 of \$200,000 plus superannuation, to be reviewed annually by the CEO, Share option bonus of 20%-60% as per Board approval and KPI achievement, 4 weeks termination notice by either party, non-solicitation and non-compete clauses.

Name: Gregory Ginnivan
Title: Senior Account Executive
Agreement commenced: 14 May 2018
Term of agreement: On-going
Details: Base salary for the year ending 30 June 2019 of \$220,000 plus superannuation, to be reviewed annually by the CEO, Share option bonus of 15% as per KPI achievement, 4 weeks termination notice by either party, non-solicitation and non-compete clauses.

Name: Matthew Kluken
Title: Senior Account Executive
Agreement commenced: 7 March 2018
Term of agreement: On-going
Details: Base salary for the year ending 30 June 2019 of \$175,000 plus superannuation, to be reviewed annually by the CEO, cash bonus of as per KPI achievement, 4 weeks termination notice by either party, non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct

Share-based compensation

Issue of shares

No shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

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Options

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
<i>Non-Executive Directors:</i>						
Stephen Smith	1,080,000	01-Feb-18	01-Feb-18	01-Feb-21	\$0.120	\$0.106
Leanne Graeme	540,000	01-Feb-18	01-Feb-18	01-Feb-21	\$0.120	\$0.106
Wayne Zekulich	540,000	01-Feb-18	01-Feb-18	01-Feb-21	\$0.120	\$0.106
James Hyndes (retired 21 Feb 2018)	1,080,000	01-Feb-18	01-Feb-18	01-Feb-21	\$0.120	\$0.106
<i>Executive Directors:</i>						
Daniel Lai	1,800,000	01-Feb-18	01-Feb-18	01-Feb-21	\$0.120	\$0.106
Bruce Talbot	1,080,000	01-Feb-18	01-Feb-18	01-Feb-21	\$0.120	\$0.106
<i>Other Key Management personnel:</i>						
Phillip Dean	1,080,000	01-Feb-18	01-Feb-18	01-Feb-21	\$0.120	\$0.106

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'.

Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

There were no options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2018

Additional information

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Sales revenue	573,827	1,515,961	4,179,667	2,955,734	1,871,550
EBITDA	(2,004,394)	(1,019,082)	1,068,214	309,877	(99,771)
EBIT	(2,065,309)	(1,082,709)	990,696	255,834	(121,822)
Profit (loss) after income tax	(2,091,466)	(1,132,202)	349,009	87,325	(123,834)
Profit (Loss) per share (cents)	(2.50)	(3.69)	1.38	.36	(.54)
Share price (at 30 June)	N/A	N/A	N/A	N/A	N/A

Additional disclosures relating to key management personnel

Shareholding

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:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals /other	Balance at the end of the year
<i>Ordinary shares</i>					
<i>Non-Executive Directors:</i>					
James Hyndes (Retired 21 February 2018)	2,787,129	-	-	-	2,787,129
<i>Executive Directors:</i>					
Daniel Lai	7,284,252	-	-	-	7,284,252
Bruce Talbot	7,346,436	-	-	-	7,346,436
<i>Other Key Management personnel:</i>					
Phillip Dean	7,284,252	-	-	-	7,284,252
Martin Tuček	240,000	-	-	-	240,000
Deborah Tuček	240,000	-	-	-	240,000
<i>Total</i>	<u>25,182,069</u>	-	-	-	<u>25,182,069</u>

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Option holding

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:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
<i>Non-Executive Directors:</i>					
Stephen Smith	-	1,080,000	-	-	1,080,000
Leanne Graeme	-	540,000	-	-	540,000
Wayne Zekulich	-	540,000	-	-	540,000
James Hyndes (retired 21 February 2018)	-	1,080,000	-	-	1,080,000
Darren Patterson	-	-	-	-	-
<i>Executive Directors:</i>					
Daniel Lai	-	1,800,000	-	-	1,800,000
Bruce Talbot	-	1,080,000	-	-	1,080,000
<i>Other Key Management personnel:</i>					
Phillip Dean	-	1,080,000	-	-	1,080,000
<i>Total</i>	-	<u>7,200,000</u>	-	-	<u>7,200,000</u>

Other transactions with key management personnel and their related parties

During the financial year, there were no other transactions with key management personnel and their related parties.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number of options
10 October 2017	10 October 2022	\$0.1020	4,289,880
1 February 2018	1 February 2021	\$0.1200	7,500,000
22 May 2018	1 July 2023	\$0.2000	1,200,000
6 July 2018	5 July 2021	\$0.2000	1,600,000
6 September 2018	6 September 2022	\$0.2400	5,000,000

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

Shares issued on the exercise of options

No ordinary shares of archTIS Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted.

Indemnity and insurance of officers

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

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

archTIS Limited
ABN 79 123 098 671
Directors' report
30 June 2018

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of RSM

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

Auditor's independence declaration

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

Auditor

RSM continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors:



Stephen Smith
Chairman

27 September 2018
Perth, WA

RSM Australia Partners

Equinox Building 4, Level 2, 70 Kent Street Deakin ACT 2600
GPO Box 200 Canberra ACT 2601

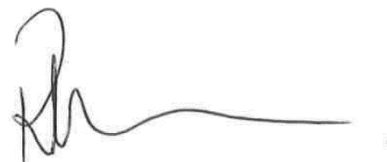
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of archTIS Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**RSM AUSTRALIA PARTNERS****RODNEY MILLER**
Partner**Canberra, Australian Capital Territory**

Dated: 27 September 2018

The financial statements cover archTIS Limited as a consolidated entity consisting of archTIS Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is archTIS Limited's functional and presentation currency. archTIS Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 3, archTIS House
10 National Circuit
Barton, ACT 2600

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

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

Financial report

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archTIS Limited
 ABN 79 123 098 671
Statement of profit or loss and other comprehensive income
for the year ended 30 June 2018

	Consolidated	
	2018	2017
Note	\$	\$
Continuing operations		
Rendering of services	564,704	1,440,774
Sale of goods	9,123	75,187
Share of profits of associates accounted for using the equity method	-	-
Revenue	573,827	1,515,961
Cost of goods sold	(1,462)	(51,885)
Gross profit	572,365	1,464,076
Income from research and development claim	208,571	125,887
Other operating income	11,032	10,833
Employee benefits expense	(2,648,308)	(2,347,519)
Contractors and sub-contractors	(1,007,087)	(877,927)
Superannuation	(212,584)	(211,577)
Share based payments	(108,178)	-
Depreciation and amortisation expense	(60,915)	(63,627)
Consultancy fees	(169,768)	(120,198)
Advertising expense	(32,205)	(1,072)
Accountancy expense	(72,986)	(39,778)
Lease expense	(153,556)	(183,209)
Other expenses	(640,148)	(375,328)
Development - capitalised	2,240,165	1,534,121
Operating profit	(2,073,602)	(1,085,318)
Interest earned	8,293	2,609
Interest and finance charges paid/payable	(35,456)	(38,385)
Profit (loss) before tax from continuing operations	(2,100,765)	(1,121,094)
Income tax benefit (expense)	9,299	(11,108)
Profit (loss) for the year from continuing operations	(2,091,466)	(1,132,202)
Other comprehensive income	-	-
Profit (loss) for the year	(2,091,466)	(1,132,202)

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

archTIS Limited
ABN 79 123 098 671
Statement of financial position
as at 30 June 2018

	Note	Consolidated		
		2018 \$	2017 \$	2016 \$
Assets				
Current assets				
Cash and cash equivalents	4	1,638,668	20,184	21,944
Short term investments	4	57,478	56,158	54,815
Trade and other receivables	5	89,154	257,168	741,018
Other assets	6	116,393	56,354	156,349
Tax assets	13	922,061	627,871	382,177
Total current assets		2,823,754	1,017,735	1,356,303
Non-current assets				
Investments accounted for using the equity method		-	-	-
Property, plant and equipment	7	153,137	170,513	174,146
Intangible assets	8	3,059,698	1,698,383	831,605
Tax assets	13	92,750	83,451	94,559
Total non-current assets		3,305,585	1,952,347	1,100,310
Total assets		6,129,339	2,970,082	2,456,613
Liabilities				
Current liabilities				
Bank overdraft	4,9	-	229,479	93,175
Interest-bearing loans and borrowings	10	300,000	324,989	-
Trade and other payables	11	644,428	1,239,363	1,040,484
Provisions	12	314,623	179,371	170,186
Total current liabilities		1,259,051	1,973,202	1,303,845
Non-current liabilities				
Provisions	12	110,829	93,613	88,753
Total non-current liabilities		110,829	93,613	88,753
Total liabilities		1,369,880	2,066,815	1,392,598
Net assets		4,759,459	903,267	1,064,015
Equity				
Issued capital	14	6,767,689	1,234,003	490,500
Reserves	15	731,746	317,774	89,823
Retained earnings (accumulated losses)		(2,739,976)	(648,510)	483,692
Total equity (attributable to the owners of archTIS Limited)		4,759,459	903,267	1,064,015

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

archTIS Limited
 ABN 79 123 098 671
Statement of changes in equity
for the year ended 30 June 2018

		Consolidated	
		2018	2017
Note		\$	\$
Issued capital			
	Balance at beginning of period	1,234,003	490,500
	Issue of share capital	5,533,686	743,503
14	Balance at end of period	6,767,689	1,234,003
Share-based payments reserve			
	Balance at beginning of period	317,774	89,823
	Arising on share-based payments	413,972	227,951
15	Balance at end of period	731,746	317,774
Retained earnings (accumulated losses)			
	Balance at beginning of period	(648,510)	483,692
	Profit (Loss) for the year	(2,091,466)	(1,132,202)
	Balance at end of period	(2,739,976)	(648,510)
Total equity			
	Balance at beginning of period	903,267	1,064,015
	Profit (Loss) for the period	(2,091,466)	(1,132,202)
	Share-based payments	413,972	227,951
	Issue of share capital	5,533,686	743,503
	Balance at end of period	4,759,459	903,267

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

archTIS Limited
 ABN 79 123 098 671
Statement of cash flows
 for the year ended 30 June 2018

	Consolidated	
	2018	2017
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	819,938	2,344,277
Payments to suppliers and employees	(5,232,107)	(3,981,075)
Receipts from R&D Tax Incentive	793,231	547,536
Interest received	8,293	2,609
Interest paid	(30,219)	(33,577)
Income tax paid	-	-
Net cash provided by (used in) operating activities	(3,640,864)	(1,120,230)
Cash flows from investing activities		
Purchase of property, plant and equipment	(43,539)	(59,994)
Net cash provided by (used in) investing activities	(43,539)	(59,994)
Cash flows from financing activities		
Proceeds from issue of shares	5,533,686	743,503
Proceeds from secured bank loans	-	300,000
Net cash provided by (used in) financing activities	5,533,686	1,043,503
Net increase (decrease) in cash held	1,849,283	(136,721)
Cash and cash equivalents at beginning of period	(153,137)	(16,416)
Cash and cash equivalents at end of period	1,696,146	(153,137)

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

1. **Significant accounting policies**

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

New or amended Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

The consolidated entity has adopted AASB 2016-1 from 1 July 2017. The amendments to AASB 112 'Income Taxes' clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

The consolidated entity has adopted AASB 2016-2 from 1 July 2017. The amendments to AASB 107 'Statement of Cash Flows' require the disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

a. Parent company information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of archTIS Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. archTIS Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

1. **Significant accounting policies (continued)**

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the 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.

c. Foreign currency translation

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

Foreign currency transactions

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

d. Revenue recognition

The company earns revenues from consulting services and the sale of solutions services for secure information sharing and inter-organisational collaboration.

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

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts

Rendering of services

Rendering of services revenue is recognised by reference to the stage of completion of the contracts.

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

Interest

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

Other revenue

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

e. Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

1. **Significant accounting policies (continued)**

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

f. Current and non-current classification

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

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

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

g. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

h. Trade and other receivables

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

Notes to the financial statements
for the year ended 30 June 2018

1. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

i. Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

j. Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

k. Property, plant and equipment

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

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

Leasehold improvements	Term of lease
Office furniture and equipment	2-4 years
Computer equipment	2-4 years

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

1. Significant accounting policies (continued)

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

i. Leases

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

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

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

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

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

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

m. Intangible assets

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

Goodwill

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Research and development tax incentive

The Research and Development Tax Incentive (RDTI) is a 43.5% refundable tax offset that is calculated as 43.5% of the eligible research and development expenditure that has been incurred by the company. The Directors consider any payment arising from the RDTI to be a form of government assistance and are of the view that it is appropriate to recognise RDTI receipts as Government Grants in accordance with AASB120 Accounting for Government Grants and Disclosure of Government Assistance.

1. **Significant accounting policies (continued)**

As such, RTDI refunds are recognised when there is a sufficient degree of certainty that the company will comply with the conditions attaching to RDTI and that the payment will be received. Such refunds are recognised in the Statement of profit and loss and other comprehensive income on a systematic basis over the periods in which the company recognises as expenses the related costs for which the assistance is intended to compensate. The proportion of the refund that relates to capitalised development is deducted against the carrying amount of the related non-current assets. Any remaining proportion that cannot be recognised on either of the preceding bases is recognised in the Statement of profit and loss and other comprehensive income as "Income from research and development claim".

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

n. Impairment of non-financial assets

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

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

o. Trade and other payables

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

p. Borrowings

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

q. Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

r. Provisions

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

s. Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

1. Significant accounting policies (continued)

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation expense

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

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

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

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

t. Fair value measurement

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

1. Significant accounting policies (continued)

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

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

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

u. Issued capital

Ordinary shares are classified as equity.

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

v. Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

w. Goods and Services Tax ('GST') and other similar taxes

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

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

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

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

x. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

1. Significant accounting policies (continued)

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal on the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The consolidated entity will adopt this standard from 1 July 2018, resulting in an increase in contract assets of \$51,000 and an increase in contract liabilities of \$51,000.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. On the application date the company will record a right-to-use asset equivalent to the present value of remaining lease payments (approximately \$322,000) and a corresponding lease liability for the lease of the premises at 10 National Circuit, Barton, ACT. The right-to-use asset will be depreciated over the remaining term of the lease and interest will be expensed. The lease liability will be reduced by the principle portion of the lease payments. Currently, no right-to-use asset or lease liability is recorded in the statement of financial position, lease payments are expensed, and the lease commitment is recorded in the notes to these financial statements.

2 Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

The consolidated entity 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 by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

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

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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 Notes to the financial statements
 for the year ended 30 June 2018

		Consolidated	
		2018	2017
Note		\$	\$
3. Tax expense			
a.	The components of tax expense/(income) are:		
	Current tax	-	-
	Deferred tax	(371,224)	(252,181)
	Deferred tax - adjustment to prior year losses not recognised	(175)	-
		13 (371,399)	(252,181)
	Deferred tax - change of tax rate	13 -	7,879
	Deferred tax on tax losses not recognised	13 362,100	255,410
	Income tax expense/(income)	(9,299)	11,108
b.	The prima facie tax on profit before income tax is reconciled to income tax as follows:		
	Prima facie tax payable on profit before income tax at 27.5%	(577,710)	(342,920)
	Less:		-
	Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		-
	- Non deductible entertainment	1,504	1,827
	- Non deductible insurances	29,749	9,328
	- R&D expenditure	232,590	79,584
	- Income from R&D claim	(57,357)	-
	- Tax losses not recognised	13 362,100	255,410
	- Prior year adjustment - Tax losses not recognised	(175)	-
	- Change of tax rate on Deferred Tax at beginning of year	-	7,879
		568,411	354,028
	Income tax attributable to entity	(9,299)	11,108
4. Cash and cash equivalents			
	Cash at bank and on hand	1,638,668	20,184
	Cash on deposit	57,478	56,158
		1,696,146	76,342
	Reconciliation of cash		
	Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
	Cash and cash equivalents	1,696,146	76,342
	Bank overdraft	9 -	(229,479)
		1,696,146	(153,137)
5. Trade and other receivables			
	Current		
	Trade receivables	42,659	196,536
	Other receivables	5,639	6,715
	Loans to directors	-	9,494
	GST receivable	40,856	44,423
	Total current trade and other receivables	89,154	257,168

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the company is considered to relate to the class of assets described as "trade and other receivables". The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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 Notes to the financial statements
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5. Trade and other receivables (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired (Days Overdue)			Within Initial Trade Terms	
			< 30	31-60	61-90		> 90
	\$	\$	\$	\$	\$	\$	
Jun-2018							
Trade receivables	42,659	-	-	-	-	26,975	15,684
Other receivables	5,639	-	-	-	-	-	5,639
Total	48,298	-	-	-	-	26,975	21,323
Jun-2017							
Trade receivables	196,536	-	25,184	-	11,000	27,481	132,871
Other receivables	6,715	-	-	-	-	-	6,715
Total	203,251	-	25,184	-	11,000	27,481	139,586

6. Other assets

Current

Prepayments
 Accrued income

Consolidated	
2018	2017
\$	\$
109,315	33,261
7,078	23,093
116,393	56,354

7. Property, plant and equipment

Lease improvements

At cost
 Accumulated depreciation

Office, furniture & equipment

At cost
 Accumulated depreciation

Computer equipment

At cost
 Accumulated depreciation

Total plant and equipment

72,779	72,779
(39,413)	(27,284)
33,366	45,495
112,542	102,424
(66,278)	(49,233)
46,264	53,191
243,214	209,794
(169,707)	(137,967)
73,507	71,827
153,137	170,513

Reconciliations

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

	Lease improvements	Office, furniture & equipment	Computer equipment	Total
Balance at 1 July 2016	57,625	67,928	48,593	174,146
Additions	-	1,685	58,309	59,994
Disposals - written down value	-	-	-	-
Depreciation expense	(12,130)	(16,422)	(35,075)	(63,627)
Balance at 30 June 2017	45,495	53,191	71,827	170,513
Additions	-	10,119	33,420	43,539
Disposals - written down value	-	-	-	-
Depreciation expense	(12,130)	(17,045)	(31,740)	(60,915)
Balance at 30 June 2018	33,365	46,265	73,507	153,137

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	Consolidated	
	2018	2017
	\$	\$
8. Intangible assets		
Capitalised development		
Cost:		
Balance at beginning of year	3,237,894	1,512,006
Additions from internal development		
Employment costs	1,332,925	786,713
Administration overheads	793,341	328,451
Contract development	839,188	610,724
Balance at end of year	6,203,348	3,237,894
Accumulated research and development tax incentive:		
Balance at beginning of year	(1,347,744)	(680,401)
R&D tax incentive benefit	(878,850)	(667,343)
Balance at end of year	(2,226,594)	(1,347,744)
Accumulated amortisation and impairment:		
Balance at beginning of year	(191,767)	-
Amortisation	-	-
Impairment losses	(725,289)	(191,767)
Balance at end of year	(917,056)	(191,767)
Carrying amount at end of period	3,059,698	1,698,383

Reconciliations

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

Carrying amount at beginning of year	1,698,383	831,605
Additions from internal development	2,965,454	1,725,888
R&D tax incentive benefit	(878,850)	(667,343)
Amortisation and impairment losses	(725,289)	(191,767)
Carrying amount at end of period	3,059,698	1,698,383

Capitalised development costs relate to the development of new techniques to provide enhanced secure content management capability. As at 30 June 2018 the completion percentage is approximately 55%. As development costs are still a work in progress no amortisation has been recorded.

The recoverable amount of the entity's capitalised development costs has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model for the new products:

- 50% pre-tax discount rate;
- projected revenue growth rate based on expected customer acceptance of subscription based model, expected hardware and enterprise revenues;
- 3-5% per annum increase in operating costs and overheads.

The discount rate of 50% pre-tax reflects management's estimate of the time value of money and the entity's weighted average cost of capital adjusted for the product, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is prudent and justified, based on its market analyses and evaluation.

There were no other key assumptions for the product.

Based on the above, no impairment charge has been applied as the discounted recoverable amount for the product exceeds the capitalised development.

8. Other intangible assets (continued)

Sensitivity

As disclosed in note 1, the directors have made judgements and estimates in respect of impairment testing of capitalised development cost. Should these judgements and estimates not occur the resulting capitalised development cost carrying amount may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 8.2% for the product before capitalised development cost would need to be impaired, with all other assumptions remaining constant;
- The discount rate would be required to increase to 57.3% for the product before capitalised development cost would need to be impaired, with all other assumptions remaining constant.

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

9. Bank overdrafts

Bank overdraft (secured)

Financing arrangements

Unrestricted access was available at the reporting date to the overdraft as follows:

Bank overdraft (secured)

Used at reporting date

Unused at reporting date

Total facility

The consolidated entity has an overdraft facility of \$300,000, secured by personal assets of the two executive directors and one senior executive.

10. Interest-bearing loans and borrowings

Current

Unsecured insurance premium funding loan

Secured bank loan

Financing arrangements

Unrestricted access was available at the reporting date to the secured bank loan as follows:

Bank overdraft (secured)

Used at reporting date

Unused at reporting date

Total facility

The company secured bank loan facility of \$300,000, is secured by personal assets of two of the three executive directors.

11. Trade and other payables

Current

Unsecured liabilities:

Trade payables

Accrued expenses

Other creditors

Loans from directors

All payables are due within 12 months.

12. Provisions

Current

Annual leave

Long service leave

Consolidated	
2018	2017
\$	\$
-	229,479
-	229,479
300,000	70,521
300,000	300,000
-	24,989
300,000	300,000
300,000	324,989
300,000	300,000
-	-
300,000	300,000
172,777	634,176
363,559	198,367
108,092	271,394
-	135,426
644,428	1,239,363
226,157	73,389
88,466	105,982
314,623	179,371

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 Notes to the financial statements
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	Consolidated	
	2018	2017
	\$	\$
12. Provisions (continued)		
Non-current		
Long service leave	38,049	20,833
Lease make good	72,780	72,780
	110,829	93,613

Movements in provisions

Movements in each class of provision during the current financial year are set out below:

	Employee Benefits	Lease incentive	Total
Analysis of provisions:			
Balance at beginning of year	200,204	72,780	272,984
Additional provisions	275,918	-	275,918
Amounts used	(123,450)	-	(123,450)
Balance at end of year	352,672	72,780	425,452

Provision for employee benefits

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

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

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Make good provision

A provision of \$72,780 has been recognised by the consolidated entity for estimated make good costs in respect of the head office premises. The lease has a life of 6 years and the company has an obligation to make good the premises at the end of the lease term.

13. Tax balances

Assets

Current

Provision for research and development tax incentive

922,061 627,871

Non-current

Deferred tax asset

710,260 338,861

Deferred tax on tax losses not recognised

(617,510) (255,410)

92,750 83,451

Deferred tax asset comprises temporary differences attributable to:

	Opening balance	Credited (charged) to profit or loss	Credited (charged) directly to equity	Changes in tax rates	Closing balance
Jun-18					
Deferred tax asset on:					
Accrued income and prepayments	(6,663)	4,605	-	-	(2,058)
Property, plant and equipment	(1,148)	(2,872)	-	-	(4,020)
Provisions	54,386	42,599	-	-	96,985
Costs of raising equity	2,504	(21,678)	-	-	(19,174)
Accrued expenditure	20,234	(5,274)	-	-	14,960
Lease incentives	14,138	(8,080)	-	-	6,058
Tax losses	255,410	362,099	-	-	617,509
Net amount	338,861	371,399	-	-	710,260

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 Notes to the financial statements
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13. Tax balances (continued)

	Opening balance	Credited (charged) to profit or loss	Credited (charged) directly to equity	Changes in tax rates	Closing balance
Jun-17					
Deferred tax asset on:					
Accrued income and prepayments	(46,586)	36,041	-	3,882	(6,663)
Property, plant and equipment	12,586	(12,685)	-	(1,049)	(1,148)
Provisions	55,848	3,192	-	(4,654)	54,386
Costs of raising equity	23,485	(19,025)	-	(1,956)	2,504
Accrued expenditure	32,478	(9,538)	-	(2,706)	20,234
Lease incentives	16,748	(1,214)	-	(1,396)	14,138
Tax losses	-	255,410	-	-	255,410
Net amount	94,559	252,181	-	(7,879)	338,861

14. Equity - Issued capital

Date	2018 No	2018 \$	2017 No	2017 \$
Ordinary shares - fully paid	83,096,982	7,466,518	9,226,874	1,424,354
Ordinary shares - paid to \$0.0936	-	-	587,777	55,000
Ordinary shares - paid to \$0.0000	720,000	-	400,000	-
Capital raise fees	-	(698,829)	-	(245,351)
	83,816,982	6,767,689	10,214,651	1,234,003
Issued ordinary shares				
Balance at beginning of year	10,214,651	1,234,003	8,460,000	490,500
Share split (3:1)	20,429,302	-	-	-
Share issues	2017	-	1,754,651	988,854
Share issue	Oct-17	12,254,904	1,000,000	
Share issue	Nov-17	29,338,125	3,129,400	
Share issue	Apr-18	12,060,000	2,010,000	
Receipts - partly paid shares		-	85,692	
Receipts - options		-	7,423	
Share forfeitures		(480,000)	-	-
Capital raise fees		-	(698,829)	(245,351)
Net increase (decrease) during year	73,602,331	5,533,686	1,754,651	743,503
Balance at end of year	83,816,982	6,767,689	10,214,651	1,234,003
Reconciliation of cash proceeds from issue of shares				
Share issues		6,139,400		988,854
Partly paid shares		85,692		
Options		7,423		
Capital raise fees		(698,829)		(245,351)
Cash proceeds from issue of shares		5,533,686		743,503

Ordinary shares

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

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

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

14. Equity - Issued capital (continued)

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

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

15. Equity - Share-based payments reserve

Balance at beginning of year
Arising on share-based payments
Balance at end of year

Consolidated	
2018	2017
\$	\$
317,774	89,823
413,972	227,951
731,746	317,774

Share options

The company issues equity-settled share based payments to certain entities. Under AASB 2 these are measured at fair value at the date of the grant. This amount is expensed on a straight line basis over the vesting period based on the company's estimate of the number of shares that will eventually vest.

The weighted average fair value of the share options granted during the financial year to 30 June 2018 is \$0.085 (2017: \$0.26 after share split, \$0.76 before split). Options were valued using a binomial option pricing model (2017: fundamental option pricing model). Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

	2018			2017
Inputs into the valuation model:				
Grant date share price	\$0.107	\$0.20	\$0.20	\$1.00
Exercise price	\$0.102	\$0.12	\$0.20	\$0.24
Expected volatility	70%	70%	70%	70%
Option life	5 years	3 years	5 years	4 years
Early exercise multiple	2 years	2.5 years	2 years	-
Dividend rate	\$0.00	\$0.00	\$0.00	\$0.00
Risk-free interest rate	2.63%	2.65%	2.65%	2.00%
Share option value (2017: Binomial valuation, 2016: Fundamental valuation)	\$0.047	\$0.106	\$0.088	\$0.780
At start of period	-	-	-	2.0%
Granted	4,289,880	7,500,000	1,200,000	2.0%
Exercised	-	-	-	587,777
Lapsed	-	-	-	-
At end of period	4,289,880	7,500,000	1,200,000	-
Date exercisable	10-Oct-17	01-Feb-18	22-May-18	(a)
Expiry date	10-Oct-22	01-Feb-21	01-Jul-23	(b)

(a) Date of completion of capital raising

(b) 4 years from date of completion

16. Dividends

Dividends arrangements

Dividends paid during the financial year

Franking credits

Franking credits available for subsequent financial years based on a rate of 27.5%

	\$	\$
Dividends paid during the financial year	-	-
Franking credits available for subsequent financial years based on a rate of 27.5%	15,549	15,549

17. Financial instruments

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

Market risk

Foreign exchange risk

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

Price risk

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

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. The policy is to maintain 100% of current borrowings at variable rates.

The consolidated entity's bank loan outstanding, totalling \$300,000 (2017: \$300,000), is an interest only loan. Monthly cash outlays of approximately \$1,300 (2017: \$1,300) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2017: 100) basis points would have an adverse/favourable effect on profit before tax of \$3,000 (2017: \$3,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of \$0 (2017: \$0) are due during the year ending 30 June 2019 (2017: 30 June 2018).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Guarantees

A financial institution has provided bank guarantees secured over the term deposit account.

18. Events after the reporting period

In July 2018 the company commenced the process to undertake an initial public offer in August 2018 to raise additional capital of \$8,000,000. The capital raise was fully subscribed and the investment funds have been received. The company was listed on the Australian Stock Exchange on 21 September 2018. In July 2018 share options at 1.9% of capital were issued and in September 2018 the lead managers of the initial public offer were issued share options at 6% of capital. In August 2018 archTIS Solutions Pty Ltd, a subsidiary of the parent entity established an office in the Czech Republic. archTIS Solutions Pty Ltd will engage and manage a software development team based in the Czech Republic. The company's Product Manager and Product Requirements, Learning, Marketing and Capability Development Manager have relocated to the Czech Republic to manage and lead the development team. There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

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 Notes to the financial statements
 for the year ended 30 June 2018

		Consolidated	
		2018	2017
		\$	\$
19. Cash flow information			
Reconciliation of cash flow from operations with profit (loss) after income tax			
Profit (loss) after income tax		(2,091,466)	(1,132,202)
Non-cash flows in profit (loss):			
- Depreciation and amortisation	7	60,915	63,627
- Impairment of capitalised development	8	156,507	-
- Loss on disposal of property plant & equipment		-	-
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
- (Increase) decrease in trade and other receivables		185,755	665,972
- (Increase) decrease in accrued revenue		16,015	131,927
- (Increase) decrease in prepayments		(76,054)	(31,932)
- (Increase) decrease in research and development assets		(1,517,822)	(866,778)
- Increase (decrease) in trade and other payables		(637,665)	41,746
- Increase (decrease) in income taxes payable		(303,489)	(234,586)
- Increase (decrease) in employee benefits		152,468	14,045
- Increase (decrease) in share based payment reserve		413,972	227,951
Net cash provided by (used in) operating activities		(3,640,864)	(1,120,230)
20. Operating lease commitments			
a. 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		184,258	179,708
- between two and five years		328,121	518,111
- more than five years		-	-
		512,379	697,819

21. Contingent liabilities and contingent assets

Estimates of the potential financial effect of contingent liabilities that may become payable:

Share options

Share options were issued as part of the capital raising process during the year. Details of such share options are disclosed at note 15. Further share options were issued after balance date and are detailed in Note 18.

Guarantees

A financial institution has provided bank guarantees secured over the term deposit account.

		Consolidated	
		2018	2017
		\$	\$
22. Transactions with related parties			
<i>Parent entity</i>			
archTIS Limited is the parent entity.			
<i>Subsidiaries</i>			
Interests in subsidiaries are set out in note 25.			
<i>Key management personnel</i>			
Disclosures relating to key management personnel are set out in note 26.			
<i>Transactions with related parties</i>			
The following transactions occurred with related parties:			
Loans to related parties:			
Loans to directors		-	9,494
Loans to related parties:			
Loans from directors		-	135,426

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 Notes to the financial statements
 for the year ended 30 June 2018

22. Transactions with related parties (continued)

Transactions with subsidiaries

The following transactions occurred with subsidiaries:

Purchase of 100% of share capital of archTIS Solutions Pty Ltd
 Purchase of 100% of share capital of archTIS Services Pty Ltd

Consolidated	
2018	2017
\$	\$
10	-
10	-
20	-

23. Parent entity information

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

Statement of profit or loss and other comprehensive income

Profit (loss) after income tax
 Total comprehensive income

Parent	
2018	2017
\$	\$
(2,091,466)	(1,132,202)
(2,091,466)	(1,132,202)

Statement of profit or loss and other comprehensive income

Total current assets
 Total assets
 Total current liabilities
 Total liabilities

2,823,754	1,017,735
6,129,339	2,970,082
1,259,051	1,973,202
1,369,880	2,066,815

Net assets

4,759,459	903,267
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Equity

Issued capital
 Share-based payments reserve
 Retained profits (accumulated losses)

6,767,689	1,234,003
731,746	317,774
(2,739,976)	(648,510)

Total equity

4,759,459	903,267
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Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and its subsidiaries are not party to any deeds of cross guarantee under which each company guarantees the debts of the others.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are set out in note 21.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

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

24. Acquisition of subsidiaries

On 23 May 2018 archTIS Limited acquired 100% of the ordinary shares of archTIS Services Pty Ltd for the total consideration transferred of \$10 and archTIS Solutions Pty Ltd for the total consideration transferred of \$10.

Details of the acquisitions are as follows:

	Fair value
archTIS Solutions Pty Ltd	
Cash and cash equivalents	10
Net assets acquired	10
Cash used to acquire subsidiaries, net of cash acquired	
Share capital	10
Less: cash and cash equivalents	(10)
Net cash used	-

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Notes to the financial statements

for the year ended 30 June 2018

24. Acquisition of subsidiaries (continued)

	<u>Fair value</u>
archTIS Services Pty Ltd	
Cash and cash equivalents	10
Net assets acquired	10
Cash used to acquire subsidiaries, net of cash acquired	
Share capital	10
Less: cash and cash equivalents	(10)
Net cash used	-

25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018	2017
archTIS Solutions Pty Ltd	Australia	100%	-
archTIS Services Pty Ltd	Australia	100%	-
		Consolidated	
		2018	2017
		\$	\$

26. Key management personnel disclosures

Compensation

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

Short-term benefits	1,123,219	681,656
Post-employment benefits	93,849	51,315
Other long-term benefits	(24,370)	9,003
Share-based payments	103,853	227,951
Termination benefits	-	-
	<u>1,296,551</u>	<u>969,925</u>

The remuneration of directors and key executives is determined by the Board having regard to the performance of individuals and market trends.

27. Auditor's remuneration

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

Audit services - RSM

- auditing or reviewing the current year financial reports	68,663	23,000
- auditing or reviewing the prior year financial report	9,161	662
	<u>77,824</u>	<u>23,662</u>

Other services - RSM

- Investigating accountants report	25,968	-
- Research & development tax incentive review	12,500	-
	<u>38,468</u>	<u>-</u>
	<u>116,292</u>	<u>23,662</u>

28. Correction of prior period errors

During the year, a total of \$2,271,553 was reclassified from income tax benefits for the 2012 to 2017 financial years: \$923,809 to income from research and development claim and \$1,347,744 as an offset to capitalised development costs. The research and development claim was incorrectly included in tax benefit instead of being split between income from research and development and capitalised development expenditure.

The abovementioned misstatements in the previous years' financial statements represents a prior period accounting error which must be accounted for retrospectively. Consequently, the consolidated entity has adjusted all comparative amounts presented in the current periods financial statements affected by the accounting errors as follows:

Notes to the financial statements
for the year ended 30 June 2018

28. Correction of prior period errors (continued)

	Previously reported	Adjustment	Restated
Statement of profit and loss and other comprehensive income for the year ended 30 June 2012			
Income from research and development claim	-	34,848	34,848
Profit (Loss) before income tax	96,096	34,848	130,944
Income tax benefit (expense)	(21,916)	(34,848)	(56,764)
Net profit (loss) for the year from continuing operations	74,180	-	74,180
for the year ended 30 June 2013			
Income from research and development claim	-	93,873	93,873
Profit (Loss) before income tax	26,441	93,873	189,969
Income tax benefit (expense)	17,636	(93,873)	(115,789)
Net profit (loss) for the year from continuing operations	44,077	-	74,180
for the year ended 30 June 2014			
Income from research and development claim	-	73,896	73,896
Profit (Loss) before income tax	(195,718)	73,896	(121,822)
Income tax benefit (expense)	71,884	(73,896)	(2,012)
Net profit (loss) for the year from continuing operations	(123,834)	-	(123,834)
for the year ended 30 June 2015			
Income from research and development claim	-	183,101	183,101
Profit (Loss) before income tax	53,075	183,101	236,176
Income tax benefit (expense)	34,250	(183,101)	(148,851)
Net profit (loss) for the year from continuing operations	87,325	-	87,325
for the year ended 30 June 2016			
Income from research and development claim	-	412,204	412,204
Profit (Loss) before income tax	551,967	412,204	964,171
Income tax benefit (expense)	477,443	(1,092,605)	(615,162)
Net profit (loss) for the year from continuing operations	1,029,410	(680,401)	349,009
Statement of profit and loss and other comprehensive income for the year ended 30 June 2017			
Income from research and development claim	-	125,887	125,887
Profit (Loss) before income tax	(1,246,981)	125,887	(1,121,094)
Income tax benefit (expense)	782,122	(793,230)	(11,108)
Net profit (loss) for the year from continuing operations	(464,859)	(667,343)	(1,132,202)
Statement of financial position at 30 June 2016			
Non-current assets			
Other non-current assets	1,512,006	(680,401)	831,605
Total non-current assets	1,780,711	(680,401)	1,100,310
Total assets	3,137,014	(680,401)	2,456,613
Net assets	1,744,416	(680,401)	1,064,015
Equity			
Accumulated losses	1,164,093	(680,401)	483,692
Total equity	1,744,416	(680,401)	1,064,015
Statement of financial position at 30 June 2017			
Non-current assets			
Other non-current assets	3,046,127	(1,347,744)	1,698,383
Total non-current assets	3,300,091	(1,347,744)	1,952,347
Total assets	4,317,826	(1,347,744)	2,970,082
Net assets	2,251,011	(1,347,744)	903,267
Equity			
Accumulated losses	699,234	(1,347,744)	(648,510)
Total equity	2,251,011	(1,347,744)	903,267

In the directors' opinion:

- a. the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b. the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- c. the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- d. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors:

A handwritten signature in blue ink, appearing to read 'Stephen Smith', with a horizontal line underneath.

Stephen Smith
Chairman

27 September 2018
Perth, WA

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
archTIS LIMITED

Opinion

We have audited the financial report of archTIS Limited. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of archTIS Limited, for the year ended 30 June 2018, 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.



RSM AUSTRALIA PARTNERS



RODNEY MILLER
Partner

Canberra, Australian Capital Territory
Dated: 27 September 2018

archTIS Limited

ABN 79 123 098 671

Shareholder information**30 June 2018**

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

The company was admitted to the official list of the ASX on 21 September 2018. It is and will be using its money in a manner consistent with its business objectives.

The company has no current on-market buy back.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	-
1,001 to 5,000	-
5,001 to 10,000	50
10,001 to 100,000	196
100,001 and over	129
	<u>375</u>
Holding less than a marketable parcel	-

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
The Trust Company (Australia) Limited	12,425,000	10.03%
Cyber Security Investment Partners Pty Ltd	12,254,904	9.90%
HSBC Custody Nominees (Australia) Limited	8,875,000	7.17%
Mr Bruce Talbot	7,286,436	5.88%
Mr Daniel Chun Leung Lai	7,284,252	5.88%
Possum Hill Pty Ltd	7,284,252	5.88%
Redhill Holdings Ltd	2,787,129	2.25%
Mr David Graham Wood	2,737,500	2.21%
J P Morgan Nominees Australia Limited	2,450,000	1.98%
Ajava Holdings Pty Ltd	1,950,000	1.57%
3STRZS Pty Ltd	1,931,250	1.56%
Goldjazz Pty Ltd	1,875,000	1.51%
Conleroy Pty Ltd	1,400,000	1.13%
Bremy Keane Investments Pty Ltd	1,350,000	1.09%
Mr Amit Gupta	1,350,000	1.09%
Myube Investments Pty Ltd	1,268,750	1.02%
Egmont Pty Ltd	1,250,000	1.01%
Bickham Court Superannuation Pty Ltd	1,200,000	0.97%
Bond Street Custodians Limited	1,175,000	0.95%
7Sundays Pty Ltd	1,000,000	0.81%
	<u>79,134,473</u>	<u>63.89%</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	14,589,880	13

Substantial holders

Substantial holders in the company are set out below:

The Trust Company (Australia) Limited	12,425,000	10.03%
Cyber Security Investment Partners Pty Ltd	12,254,904	9.90%
HSBC Custody Nominees (Australia) Limited	8,875,000	7.17%
Mr Bruce Talbot	7,286,436	5.88%
Mr Daniel Chun Leung Lai	7,284,252	5.88%
Possum Hill Pty Ltd	7,284,252	5.88%

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.