13 September 2017

HJB Corporation Ltd
ASX Code: HJB

HJB SIGNS SHARE PURCHASE DEED TO ACQUIRE JANISON SOLUTIONS PTY LTD, A LEADER IN INTEGRATED LEARNING AND DIGITAL ASSESSMENT SOLUTIONS

The Board of HJB Corporation Limited (ASX.HJB) ("**HJB**") is pleased to announce that it has executed a conditional agreement to acquire 100% of the issued capital in leading integrated learning and digital assessment business, Janison Solutions Pty Ltd ("**Janison**" or the "**Company**").

Completion of the transaction will be subject to a number of conditions**. The transaction requires HJB shareholder approval, therefore, the transaction may not proceed if that approval is not forthcoming.**

HJB's securities will remain suspended until HJB has complied with the ASX's requirements for admission and quotation as set out in Chapters 1 and 2 of the ASX Listing Rules. Therefore, the transaction may not proceed if those requirements are not met. ASX has absolute discretion in deciding whether or not to re-admit the entity to the Official List of ASX and to quote its securities and therefore the transaction may not proceed if ASX exercises that discretion. Investors should take into account these uncertainties in deciding whether or not to buy or sell the entity's securities.

BUSINESS HIGHLIGHTS

- ✓ Janison includes both Janison Learning, an award winning digital SaaS Learning Platform integrated into leading Australian and global corporates, and Janison Assessment, a pioneer in the digitisation of large-scale high-stakes and diagnostic exam platforms
- ✓ The cloud-based Janison Learning platform is hosted on Microsoft Azure, is device agnostic, and incorporates an intelligent adaptive learning model and supports push, pull and peer learning
- ✓ A world-class proprietary library of curated learning modules provides tailored solutions designed to meet individual Janison Learning clients' needs
- ✓ Janison Assessment has established a market leading reputation as a leader of digital assessment solutions and recently successfully transitioned one of the largest student exams in the world to an electronic digital platform
- ✓ Key clients of Janison Learning include some of Australia's largest listed banking, mining and healthcare companies. Key clients for Janison Assessment include large Australian, UK-based and Singaporean-based assessment bodies
- ✓ Revenue growth of 35.3% from $10.6m to $14.3m from FY16 to FY17 (based on audited figures) and approaching $100m in total historical revenues spanning almost two decades of operations
- ✓ EBITDA growth of 48.1% from $1.8m to $2.7m from FY16 to FY17 (based on audited figures) as the Group begins to capture benefits of the ongoing development of the Assessment business
- ✓ Janison is led by Founder and Executive Director Wayne Houlden, well regarded as a leading industry voice in online assessment, and CEO Tom Richardson, who joined the business after the sale of Latitude Learning to Janison in 2015.

TRANSACTION HIGHLIGHTS

- ✓ Share Purchase Deed signed between HJB and the Janison vendors for HJB to acquire 100% of Janison Solutions Pty Ltd, the owner of the Learning and Assessment divisions of Janison
- ✓ Subject to HJB shareholder vote, Janison shareholders (which comprises of entities associated with Wayne Houlden and Tom Richardson) will be issued approximately 2.7bn shares in HJB valued at A$24.5m (based on an issue price of 0.9 cents per HJB share). Proposed transaction will result in Janison shareholders collectively controlling approximately 68% (on an undiluted basis) of the combined entity post capital raising

and completion of the acquisition, and will result in Wayne Houlden and associated entities controlling approximately 54% (on an undiluted basis) of the combined entity post capital raising and completion of the acquisition

- ✓ Capital raising of a minimum of A$8.0m, via a prospectus, will be undertaken concurrently with the transaction to fund growth of the Janison business and for working capital purposes, to repay shareholder loans to Wayne Houlden of A$2.5m and for to pay the cash component of the purchase price.
- ✓ New incentive programmes to be established for Janison employees, executives and directors with initial grants to be made on completion of the proposed transaction. At completion of the transaction, the new Board will comprise of Wayne Houlden (Founder and Executive Director of Janison), Tom Richardson (CEO of Janison), David Willington (Corporate adviser to Janison), Mike Hill (existing Director of HJB, who will continue as Chairman) and Brett Chenoweth (existing Director of HJB, who will continue as a Non-Executive Director)
- ✓ In anticipation of the transaction completing, Mr Willington will be appointed to the HJB board with effect from 15 September 2017, with Michael Pollak, Non-Executive director of HJB stepping down
- ✓ At completion of the transaction, HJB will change its name to "Janison Education Group Limited" and change its ticker code to "JAN".

BUSINESS OVERVIEW

Janison Learning

Janison Learning is a software application for the administration, documentation, tracking, reporting and delivery of electronic educational technology (also called e-learning) courses or training programs. In FY17 the Learning division reported revenues of $6.6m (based on audited figures).

Janison Learning was founded in 1998 and over the last 18 years has developed an award-winning digital SaaS learning platform. Furthermore, Janison Learning has demonstrated innovation and leadership in the curation of an online learning content library. Janison Learning's leading digital learning platform, together with the content library, provides a flexible and robust integrated learning management system for some of Australia's largest listed companies and Government Departments.

The Janison Learning platform focuses on usability, responsive design and social learning activities. This leads to increased usage patterns for learners, improved engagement and better learning outcomes. Janison's Learning platform is being adopted by large organisations who already have existing learning management systems, but desire a fresh approach to deliver important or transformational content. Janison seeks to partner with quality content providers, allowing them to quickly implement such platforms, enabled with relevant, quality content. The majority of Janison's clients now access the system via cloud hosted environments which are hosted on Microsoft Azure in Australia and in other regional locations.

Janison Learning generates revenue through customer fees for the use of the platform, access to licensed third-party content, and ongoing projects and services for existing clients. Janison is targeting to reduce the amount of integrations and services in favour of the much higher margin platform fee revenue.

In recent months, Janison has successfully expanded its relationship to global enterprise wide contracts with two of Australia's top 10 largest listed companies and a global mining giant based out of North America and has consequently introduced multi-lingual functionality and content. To support this global growth, Janison has established a close relationship with Microsoft to support in its ambitious growth targets.

Janison Assessment

Janison has been working over the last five years to develop a leading proprietary platform to enable countries, universities and large certification clients to convert their paper based assessments into a digital, online environment. The result is a unique, specialised platform that the client adopts and controls which, when implemented, is charged on an ongoing license fee basis. Such enterprise solutions are significant investments for each client, so clients are expecting to make incremental improvements and enhancements to the platform over many years. The expected use of such platforms is estimated to be between five to fifteen years.

Key examples of Janison projects include with the Australian Government to digitise a major national testing platform, and with a major South-East Asian Government to digitise its final year 12 school exams. In FY17 Janison Assessment reported revenues of $7.8m (based on audited figures).

The Janison Assessment platform has seen significant development over the last five years, and now boasts capabilities across all core areas of online assessment:

- Design
- Delivery
- Marking
- Analysis
- Reporting

Janison has also developed extensive support for key cross-function services including security, workflows, role management, scalability, resilience, adaptability and extensibility.

Janison recently successfully launched a platform to facilitate the British Council's English-language testing program, Aptis. The Aptis test is considered a global standard in English-language testing, and is used around the world to test the four key English language skills groups – speaking, listening, reading and writing. In China and South America, the Aptis exam is used by many educational bodies as a high-stakes entrance exam. Within the first month after the platform went live, more than 45,000 tests had been taken on the platform.

Janison has created key technologies that address specific needs for digital exams. A server application that takes advantage of a new Microsoft technology called Service Fabric can support the provision of exams to millions of candidates at the same time. A device application that utilises new Google technology utilises progressive web application patterns to allow devices to provide tests in online and offline mode, thus solving issues with reliability at locations with poor bandwidth connectivity. Janison plans to build on these technologies to provide an advanced service to certain clients with an appliance server which operates as a specialised single device which includes an uninterrupted power supply, a dedicated high performance wifi system and a micro-computer server with Janison's server technology pre-installed. This device further enhances the resiliency and provision options for remote locations.

Key risks and dependencies which the Janison business faces includes loss of key customers, competition from other providers, risk of losing key staff members, ability to continue supplier agreements with key content providers, general software risks and risks of failures and downtime.

Proposed new Board and management

Janison is led by Founder and Executive Director Wayne Houlden, well regarded as a leading industry voice in online assessment, and CEO Tom Richardson.

Wayne Houlden, Founder and Executive Director

- Founded Janison in 1998
- Currently chief technologist and head of corporate development for Janison Assessment
- Over 30 years as a global leader in the digital learning industry

Tom Richardson, Chief Executive Officer

- 20 years of experience in digital and corporate learning
- Previously a partner at Deloitte Consulting and a senior consultant at Bain & Co
- Founder of Latitude Learning

New Board at completion of transaction

At completion of the transaction, the new Board and management will comprise:

- Mike Hill, Chairman
- Wayne Houlden, Founder and Executive Director
- Tom Richardson, CEO
- David Willington, Non-Executive Director
- Brett Chenoweth, Non-Executive Director

In anticipation of completing the transaction, Mr Willington will be appointed to the HJB board with effect from 15 September 2017, with Michael Pollak, Non-Executive Director of the Company stepping down. The HJB board would like to thank Mr Pollak for his services and wishes him well for the future.

David Willington, Non-Executive Director

- Over 20 years of corporate finance and investment banking experience primarily in the technology, telecoms and media industry
- Formerly partner of Deloitte Corporate Finance
- Founder of boutique advisory and investment firm Mannagum Capital

CONDITIONS OF THE SHARE PURCHASE DEED

HJB and Janison have signed a binding share purchase deed ("**SPD**"). The proposed transaction set out in the SPD remains subject to satisfaction of the customary conditions precedent, including but not limited to:

- ✓ HJB obtaining all necessary regulatory and shareholder approvals under the ASX Listing Rules (including HJB shareholders approving a change in nature and scale of activities), Corporations Act 2001 (Cth) (Corporations Act) or any other law to allow lawful completion of the acquisition of Janison. This will include a re-compliance with Chapters 1 & 2 of the ASX Listing Rules;
- ✓ HJB undertaking a 100 for 3 consolidation of its securities;
- ✓ HJB undertaking a capital raising pursuant to a prospectus to raise not less than A$8,000,000; and
- ✓ Founder and Executive Director Wayne Houlden and CEO Tom Richardson entering executive services agreements with HJB.

HJB and Janison are pleased to advise that it has received in-principle advice from the ASX's LAR committee that, based solely on the information provided by HJB and Janison and the facts known at the time, ASX is not aware of any reason that would cause HJB or Janison to not have a structure and operations suitable for a listed entity for the purposes of Listing Rule 1.1 condition 1 or that would cause ASX, under Listing Rule 1.19, to exercise its discretion to refuse reinstatement to the Official List of ASX.

TERMS OF THE TRANSACTION AND ISSUE OF SECURITIES

Consideration

The consideration for the acquisition is A$26 million to be satisfied by the issue (subject to shareholder approval) of 2,722,222,222 HJB Shares (pre consolidation) at 0.9 cents per share to the shareholders of Janison and cash consideration of A$1.5m (to be funded from the capital raising described below).

Capital raising

The acquisition is conditional upon HJB undertaking a capital raising to raise a minimum of A$8,000,000. Based on an offer price of 0.9 cents, this would result in the issue of 888,888,889 shares (pre-consolidation).

The parties have not yet determined whether the capital raising will be underwritten.

Funds raised from the capital raising will be primarily used to accelerate Janison's growth initiatives, which will include funds to further develop Janison's proprietary platform and to increase Janison's business development capacity and marketing plans. Funds raised will also be used to repay shareholder loans of A$2.5m and to pay the cash consideration to the Janison shareholders.

New equity incentive plans

In conjunction with the proposed transaction HJB will establish a new long term equity incentive plan (**LTIP**) for Janison executives, employees and directors together with a new All Employee Share Plan, Subject to required shareholder approvals, HJB proposes to make the following initial grants under the new incentive plans on completion of the proposed transaction (post-consolidation):

- 5,000,000 performance rights to executives and directors of Janison;
- 6,000,000 loan-funded ordinary shares to executives and directors of Janison;
- A gift offer of an aggregate of 236,667 ordinary shares to Janison employees; and

- 1,113,333 options to eligible Janison employees

The gift offer will be made under the All Employee Share Plan and the shares will be subject to restrictions on transfer following grant.

The remaining incentives will be subject to the rules of the LTIP and to the vesting conditions and performance hurdles imposed by the Board. Further details of the terms of the new incentive plans and the incentive grants will be set out in the Notice of Meeting at the time that shareholder approval is sought for the proposed transaction.

Issue of other securities

In addition, as advised previously, the directors, CFO and advisory committee members of HJB have agreed to unconditionally and irrevocably waive any salaries/fees owed to them from 1 July 2016 onwards. For the balance that has accrued up until 30 June 2016, the directors, CFO and advisory committee members of HJB have agreed, subject to HJB shareholder approval, to convert approximately half of the amount owed to each of them into equity on at the same price as the capital raising.

An advisor to HJB, subject to HJB shareholder approval, will be issued, on a post-consolidation basis, 120,000 performance rights, and 120,000 options at completion of the transaction. Further details of the terms of issue of these securities will be set out in the Notice of Meeting at the time that shareholder approval is sought for the proposed transaction.

Escrow of securities

Subject to any mandatory escrow requirements imposed by ASX, the consideration shares being issued to the Janison shareholders, together with the securities held at completion by the HJB directors and the adviser noted above, will be subject to voluntary escrow provisions as follows:

- one half of the consideration shares/shares held at completion will be voluntarily escrowed for 24 months from the date of completion; and
- the remaining half of the consideration shares/shares held at completion will be voluntarily escrowed until release of the audited results for HJB for the full financial year ended 30 June 2018 .

OTHER INFORMATION REQUIRED BY ANNEXURE A OF GUIDANCE NOTE 12

Additional financial information

Please find **attached** to this announcement, audited financial statements of Janison Solutions Pty Ltd for the period ended 30 June 2017.

Information about the likely effect of the transaction on HJB's consolidated total assets, total equity interests, annual revenue, annual expenditure and annual profit tax is not available.

Additional regulatory approvals and waivers required for the transaction

HJB and Janison are seeking relief from ASX in relation to ASX Listing Rule 9.1.3. ASX's review of the application remains on-going as of the date of this announcement.

Previous issued securities in the 6 months preceding this announcement

On 11 August 2017, HJB completed a placement of 25,000,000 shares at an issue price of 0.8 cents per share to raise $200,000 (before costs). Funds raised have been and will be used for working capital purposes.

Janison has not completed any issue of securities in the past 6 months.

Additional statements

ASX takes no responsibility for the contents of this announcement.

HJB is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1.

INDICATIVE TIMETABLE

The indicative timetable for completion of the transaction and HJB's re-compliance with the ASX Listing Rules is outlined below:

Event Date*	
Execute binding conditional SPD	13 September 2017
Despatch Notice of Meeting to HJB Shareholders	Early October 2017
Lodgement of prospectus with ASIC (under which offers will not open until receipt of HJB Shareholder approval)	Mid October 2017
HJB Shareholder Meeting	Early November 2017
Consolidation of share capital	Early November 2017
Opening date of offers under the prospectus	Early November 2017
Closing date of offers under the prospectus	Late November 2017
Completion of acquisition of Janison	Late November 2017
Despatch holding statements	Late November 2017
Re-quotation of shares on ASX	Late November 2017

**This timetable is indicative only and subject to change.*

INDICATIVE CAPITAL STRUCTURE PRE AND POST TRANSACTION

As part of the transaction and in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules, HJB proposes to undertake a consolidation of 100:3 of its existing securities. The below table illustrates the current and projected capital structure of HJB on a pre and post consolidation basis.

	No. of securities	
HJB pre-transaction	**Current**	**Consolidated[1]**
Existing shares	311,876,788	9,356,304
Existing options	40,500,000	1,215,000
Sub-total	**352,376,788**	**10,571,304**
HJB post-transaction		
Existing shares outstanding	311,876,788	9,356,304
Conversion of existing fees/salaries to equity	35,000,000	1,050,000
Consideration shares for Janison shareholders	2,722,222,222	81,666,667
Loan-funded shares issued to Janison management and new Board	200,000,000	6,000,000
New shares issued through $8m capital raising	888,888,889	26,666,667
ESOP shares to Janison employees	7,888,889	236,667
Total shares post transaction (undiluted)	**4,165,876,788**	**124,976,305**
Existing options outstanding	40,500,000[2]	1,215,000
Performance rights issued to Janison management and new Board	166,666,667	5,000,000
ESOP options to Janison employees	37,111,111	1,113,333
Advisor options and performance rights	8,000,000	240,000
Sub-total	**252,277,778**	**7,568,333**
Total securities post transaction (fully diluted)	**4,418,154,566**	**132,544,638**

[1] Based on a 100 for 3 consolidation ratio, therefore subject to rounding
[2] Includes 20.25m options which have an exercise price of 1 cent per option, and an expiry date of 8 October 2017

CONTACT FOR FURTHER INFORMATION

For further information please contact:

Mike Hill
Chairman
+61 421 056 691

Financial Statements

Janison Solutions Pty Ltd
For the year ended 30 June 2017

Directors' Report

Your Directors present their report on Janison Solutions Pty. Ltd. ('the Company' or 'Janison') for the financial year ended 30 June 2017.

Directors

The names of the Directors in office at any time during or since the end of the year are:

- Wayne Houlden
- Thomas Richardson
- Jacqueline Houlden

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

Review of operations and financial results

A review of the operations of the Company during the financial year and the results of those operations found that the Company has experienced significant growth in revenue of 35% from $10.6m to $14.3m. Net profit for financial year 2017 after providing for income tax increased 63% from $610,770 to $995,442.

Revenue growth in financial year 2017 was achieved in all the Company's revenue categories. Importantly, platform licensing and hosting revenues in both the Company's Learning and Assessment divisions grew by 17% and 138%%, respectively.

Company cost of sales increased 25% from $6.4m to $8.0m in financial 2017 reflecting the growth in revenues. The number of full-time equivalent employees and contractors increased approximately 20% year-on-year reflecting the growth in the Company's customer base. Hosting expenses increased $0.5m from $0.6m to $1.1m as a result of greater reliance on cloud-based hosting technologies in the delivery of our products and services. Third party content fees increased $0.4m from $0.3m to $0.7m, also in line with the related increase in content licence fee revenue.

Operating expenses increased 35% in financial year 2017 from $4.0m to $5.4m, primarily as a result of investments in research and development activities, additional administrative resources and facility costs for the Company's Sydney offices.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Company during the financial year were the provision of software development project services and the licensing and hosting of its learning and assessment software platform to a global client base. There have been no significant changes in the nature of these activities during the year.

Events arising since the end of the reporting period

No matters or circumstances have arisen since the end of the financial year which 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.

Future development, prospects and business strategies

The Janison business has historically spent very little on sales, marketing and business development preferring to rely on word of mouth and referrals for new business opportunities. The board of Janison believe that with the number of global opportunities to be pursued the time is now right to invest in additional business development and sales resources.

We are taking steps to increase investment in business development by hiring additional business development and account management professionals.

Looking ahead, Janison is pursuing a global strategy to monetise its intellectual property. To that end Janison has multiple conversations underway for both major new contracts and potential business partnerships in different regions.

The material business risks faced by the Company that are likely to have an effect on the financial prospects of the Company, and how the Company manages these risks include:

- <u>Technology</u> – the technology in the Learning and Assessment industry is constantly evolving. Accordingly, there is a risk a new entrant will develop technology that is superior to the Janison platforms and products. As a result, we are constantly improving and evolving our products to keep pace with latest technology and trends in the sector.

- <u>Loss of Customers and Sales and Marketing Success</u> - The Company must maintain and support its existing customer relationships to ensure they continue into the future and must be successful in attracting additional sales to realise its business plan.

- <u>Increase in competition</u> – The Learning industry, in particular, is expected to become increasingly competitive. In addition, to ensuring Janison's products and services are relevant to changing needs in the market, we continue to evolve the learner experience and content catalog which form part of our integrated learning solution.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Dividends paid or recommended

Dividends paid or declared since the start of the financial year are as follows:

- a fully franked dividend of $219,989 was paid during the year as approved by the Directors.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnities given to Officers and Auditor

The Company has not during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Company against a liability incurred as such by an officer.

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 premiums 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 for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of this Directors' Report.

Rounding of amounts

Janisonis a type of Company referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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

Thomas Richardson

Chief Executive Officer and Director

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

8 September 2017

Board of Directors
Janison Solutions Pty Limited
394A Harbour Drive,
Coffs Harbour, NSW 2450

Dear Sirs

RE: JANISON SOLUTIONS PTY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Janison Solutions Pty Limited.

As Audit Director for the audit of the financial statements of Janison Solutions Pty Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(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.

Yours faithfully,

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

(In Australian $)	Notes	2017	2016
Trading Revenue	3	14,342,955	10,604,285
Cost of Sales:			
Labour costs-direct		(6,206,607)	(5,505,892)
Hosting costs		(1,103,493)	(632,371)
Content licences		(695,311)	(268,874)
Total Cost of Sales	4	(8,005,411)	(6,407,137)
Gross Margin		6,337,544	4,197,148
Operating Expenses:			
Research and development labour costs	5	(2,141,130)	(1,785,082)
General and administrative	6	(2,667,027)	(1,843,463)
Business development expenses		(214,737)	(18,011)
Depreciation and amortisation	7	(237,752)	(244,619)
Net Financial Expense	8	(152,119)	(106,910)
Total Operating Expenses		(5,412,765)	(3,998,085)
Other Income (Expense):			
Research and Development Tax Incentive Credit		1,516,378	1,234,331
Other		(132,261)	35,814
Total Other Income	9	1,384,117	1,270,145
Profit before Income Tax		2,308,896	1,469,208
Income tax expense	10	(1,313,454)	(858,438)
Net Profit		**995,442**	**610,770**
Other Comprehensive Income			
Unrealised Gain on Marketable Securities		-	29,147
Other Comprehensive Income for the year, net of income tax		**-**	**29,147**
Total Comprehensive Income for the year		**995,442**	**639,917**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

As at 30 June 2017

(In Australian $)	Notes	2017	2016
Current Assets			
Cash and cash equivalents		1,358,105	2,854,354
Trade and other receivables	12	3,453,838	2,520,511
Pre-paid expenses		478,070	402,858
Total current assets		5,290,013	5,777,723
Non-Current Assets			
Plant and equipment	13	748,535	807,131
Intangible assets	14	908,083	750,000
Term deposit-rental guarantee		145,000	145,000
Deferred tax asset	10	267,398	520,736
Other		39,065	28,441
Total non-current assets		2,108,081	2,251,308
Total Assets		7,398,094	8,029,031
Current Liabilities			
Trade and other accruals	16	836,295	1,167,255
Employee entitlements accrual	17	726,820	643,920
Financing Obligation	19	394,727	246,427
Income in advance	18	2,101,698	3,031,841
Total current liabilities		4,059,540	5,089,443
Non-Current Liabilities			
Employee leave entitlements	17	88,466	109,834
Financing obligation	19	-	126,343
Shareholder Loans	20	2,500,013	2,500,013
Total Non-Current Liabilities		2,588,479	2,736,190
Total Liabilities		6,648,019	7,825,633
Net Assets		**750,075**	**203,398**
Equity			
Share capital	21	880,002	1,108,778
Retained earnings		(129,927)	(905,380)
Total Equity		**750,075**	**203,398**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

For year ended 30 June 2017

(In Australian $)	Notes	Share Capital	Retained Earnings	Reserves	Total
Balance at 1 July 2015		**457,532**	**76,678**	**(29,147)**	**505,063**
Net profit for the year			610,770		610,770
Other comprehensive income				29,147	29,147
Total comprehensive income for the year		**456,024**	**610,770**	**29,147**	639,917
Transactions with owners in their capacity as owners:					
• contributions of equity		651,246			651,246
• dividends paid or provided for	22		(1,592,828)		(1,592,828)
Sub-total		**651,246**	**(1,592,828)**		**(941,582)**
Balance at 30 June 2016		**1,108,778**	**(905,380)**		**203,398**
Net profit for the year			995,442		995,442
Other comprehensive income			-0-		-0-
Total comprehensive income for the year			**995,442**		**995,442**
Transactions with owners in their capacity as owners:					
• contributions of equity		(228,776)			(228,776)
• dividends paid or provided for	22		(219,989)		(219,989)
Sub-total		**(228,776)**	**(219,989)**		**(448,765)**
Balance at 30 June 2017		**880,002**	**(129,927)**		**750,075**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

For year ended 30 June 2017

(In Australian $)	Notes	2017	2016
Cash Flows from Operating Activities:			
Profit after Tax		995,442	610,770
Operating Items Not Requiring Cash Outlays:			
Depreciation and amortisation	7	237,752	244,619
Losses on disposals of plant and equipment		4,041	-
Loss on sale of marketable securities		-	58,101
Changes in Working Capital Items:			
Trade receivables		(842,131)	2,396,870
Pre-paid expenses		(75,211)	127,773
Trade payables and accruals		(330,959)	252,842
Employee entitlements accrual		61,532	898
Income tax payable		(107,227)	(255,775)
Income in advance		(930,144)	(1,302,156)
Deferred tax		253,338	(13,847)
Net cash (used in) provided by operating activities		**(733,567)**	**2,120,095**
Cash flows from investing activities:			
Proceeds from sale of marketable securities		5,405	56,161
Purchase of property, plant and equipment		(53,196)	(26,939)
Investment in internally generated software		(288,083)	-
Purchase of term deposit		-	(145,000)
Net cash (used in) investing activities		**(335,874)**	**(115,778)**
Cash flows from financing activities			
Repayments of loans and financing obligation		(650,916)	(238,312)
Proceeds of shareholder loans and financing obligation		672,873	999,650
Issuance of company shares		-	281,508
Repurchase of company shares		(228,776)	(228,754)
Dividends paid	22	(219,989)	(1,592,828)
Net cash (used in) financing activities		**(426,808)**	**(778,736)**
Net change in cash and cash equivalents held		**(1,496,249)**	**1,225,581**
Cash and cash equivalents at beginning of financial year		**2,854,354**	**1,628,773**
Cash and cash equivalents at end of financial year		**1,358,105**	**2,854,354**

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Nature of Operations

Janison Solutions Pty Ltd (the "Company" or "Group") is a Company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing financial statements under Australian Accounting Standards.

The Company's principal activities include the software development, hosting and licensing of e-learning and student assessment software platforms for schools, institutes of higher learning and corporations.

1.2 Basis of Presentation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets for which the fair value basis of accounting has been applied. The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The Company's financial year end on 30 June.

1.3 Income Tax

The income tax expense / (benefit) for the year comprises current income tax expense / (income) and deferred tax expense / (income). Current and deferred income tax expense / (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current tax

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

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

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

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

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

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

1.4 Fixed Assets
Fixed assets including identifiable intangibles are measured at cost less depreciation and impairment losses. The carrying amount of plant and equipment and an assets residual values are reviewed as required, but at least annually.

Depreciation is calculated by applying the following methods and useful lives:

Category	Method	Useful Life
Computer Equipment	Diminishing Value	4 to 5 years
Office Furnishings & Equipment	Diminishing Value	4 to 15 years
Leasehold Improvements	Straight-Line	15 years
Purchased Intangibles	Straight-Line	5 years

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets. Office furnishings include fine art purchases which are being depreciated over a 100 year life.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

1.5 Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

1.6 Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Intangible Assets

Internally Developed Software
Expenditure on the research phase of projects to develop new software systems and products is expensed as incurred.

Costs that are directly attributable to the development phase of new Janison software products or costs that enhance the capabilities and features of existing products are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the software; and
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of direct overheads.

<u>Subsequent measurement</u>
All internally developed software is accounted for using the cost model whereby capitalized costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 1.6.

Any capitalized internally developed software that is not yet complete is not amortised, but is subject to impairment testing.

1.8 Employee Benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, and accumulating annual leave.

The Company's liabilities for long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of services, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit and loss in the periods in which the changes occur.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

1.9 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1.10 Revenue

The Company has applied AASB 15: *Revenue from Contracts with Customers* in all periods in determining the amount of revenue recognised in each reporting period. Using the guidance provided in AASB 15, the Company uses a 5-step approach to analysing customer contracts and recording revenue:

Step 1: Identify the contract(s) involved in the arrangement with the customer
Step 2: Identify the performance obligations under the arrangement
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Calculate revenue to be recognised in each reporting Period

Revenue is recognised and measured at the fair value of the consideration received or receivable excluding sales taxes. The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

The Company provides customers Software as a Service ("SaaS"). Customers include corporates, schools, tertiary and governmental agencies. The Company's revenue is separable into its components for each of these operating segments and recognised as follows:

a) **Platform Licensing and Hosting Fees**
The Company's products include a learning platform and a student assessment platform. Revenue related to the licensing of these platforms is recognized on the transferring of the significant risks and rewards of ownership of the licenced software under an agreement between the Company and the customer and in the case of period based fees recognised rateably over the licence period.

Cloud-based hosting services revenue is recognized over the period that the services are performed.

Post-implementation licence support revenue includes fees for ongoing upgrades, minor software revisions and helpline support and is recognized as revenue rateably over the contract period in which the services are performed.

b) **Learning Content Fees**
Content revenue includes fees for sourcing third party content and in some cases fees for generating custom designed content. Content services fees are recognised as revenue over the period that the services are provided.

c) **Software Development Project Revenue**
Software development project revenue includes fees related to the creation of custom designed software systems and configuration and implementation services linked to installing a Janison platform. Revenue related to software development and major configuration projects is recognised in proportion to the stage of completion, typically in accordance with the achievement of contract milestones and/or the percentage of completion.

d) **Income in Advance**
Contractual amounts received from customers in advance of the start of the licence or hosting period or the provision of services are accounted for as a current liability called Income in Advance.

e) **Earned and Unbilled Revenue**
Revenues recorded for fees not yet invoiced to customers are accounted for as an asset called Unbilled Revenue. These amounts have met the revenue recognition criteria of the Company, but have not reached the payment milestones contracted with customers.

f) **Other Income**
Research and development tax incentive credit income is recognised when the Company is entitled to the incentive. The amount is recorded as Other Income in the period in which the related research and development costs were incurred.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.11 Borrowing Costs

Borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

1.12 Goods and Services Tax (GST)

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.13 Critical Accounting Estimates and Judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Internally developed software and research costs

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

Management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Revenue
The Company recognises revenue on long-term software development projects based upon the percentage of completion method which relies upon estimates of the total cost to complete a project at each reporting date.

Impairment
An impairment loss is recognised for the amount by which the assets' or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets
Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Fair value of financial instruments
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions – Long service leave
As discussed in Note 1.8, the liability for long service leave is 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, attrition rates and pay increases through promotion and inflation have been taken into account.

1.14 New Accounting Standards

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments and associated Amending Standards* (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);

- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;

- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods commencing on or after 1 January 2018).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: Business Combinations to an associate or joint venture and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;

- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and

- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

Although the Directors anticipate that the adoption of AASB 2014-10 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: SEGMENT REPORTING

The Company identifies its operating segments based on the internal reports that are reviewed and used by the Company's Directors in assessing performance and determining the allocation of resources. For the two years ended 30 June 2017, the Directors managed the Company's activities as one business segment providing Assessment and Learning platform solutions to its clients. (Refer to Note 3 for information on revenues by segment).

From June 2017, the Company's activities are organised into two (2) operating segments: the Assessment Segment and the Learning Segment. The Assessment Segment implements and operates the technology platform for migration of paper based exams and tests to a fully digital environment to government, institutions of higher learning and certifying bodies in Australia and around the globe.

The Learning Segment focuses on e-learning and operates a learning management platform that manages the content and learning programs for major corporate and government clients in Australia and Overseas.

Each operating segment will be managed separately as each of the product lines requires specialised technologies and other resources, as well as different marketing approaches. All inter-segment transfers are carried out at arm's length prices.

NOTE 3: TRADING REVENUE

The Company's Revenues are presented below:

(In Australian $)	2017	2016
Assessment Division		
Platform	2,342,116	984,646
Project services	5,429,772	4,176,347
Total Assessment Division	**7,771,888**	**5,160,993**
Learning Division		
Content	1,040,946	575,000
Platform	4,179,835	3,565,801
Project services	1,350,286	1,302,491
Total Learning Division	**6,571,067**	**5,443,292**
Total Trading Revenue	**14,342,955**	**10,604,285**

NOTE 4: COST OF SALES

The Company's Cost of Sales is composed of direct labour, hosting costs and content licence fees:

(In Australian $)	2017	2016
Direct Labour		
Employee wages and benefits	4,052,442	4,399,973
Third-party contractors	2,154,165	1,105,919
Total Direct Labour	**6,206,607**	**5,505,892**
Total Hosting Costs	**1,103,493**	**632,371**
Total Content Licence Fees	**695,311**	**268,874**
Total Cost of Sales	**8,005,411**	**6,407,137**

Direct labour includes wages and employee benefits for staff servicing customers including software developers, testers, system operations engineers, and project and account managers.

Hosting costs primarily include fees paid to Microsoft for cloud-based computing services and expenditures for other specialised software products.

Content licence costs include licence fees paid for the licence of third-party content that is sourced and re-sold to customers.

NOTE 5: RESEARCH AND DEVELOPMENT LABOUR COSTS

Labour costs and employee benefits related to research and development projects focused on developing new and innovative technologies which will one day be incorporated into the Company's Assessment and Learning Platforms totalled $2,141,130 in financial year 2017 ($1,785,082 in financial year 2016).

NOTE 6: GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were composed of:

(In Australian $)	2017	2016
Employee wages and benefits-corporate	755,268	458,253
Employee costs-unallocated	587,491	367,705
Office facility	434,158	390,109
Travel	297,480	225,549
Software licences	122,186	158,672
Professional services	274,144	101,905
Telecommunications	67,045	69,753
Insurance	44,360	32,605
Other	84,895	38,912
Total General and Administrative Expenses	**2,667,027**	**1,843,463**

Employee wages and benefits-corporate includes the salaries of the Company's Board, executive management, human resources and finance functions.

Employee costs-unallocated includes primarily Australian state payroll tax levies, staff training and other employee related expenses not allocated by department.

Office facility expenses include lease payments, utilities, repairs and other costs directly associated with the Company's leased offices.

Professional services include costs associated with legal, tax, and payroll processing. In 2017, the Company incurred $157,030 in consulting fees related to investigating additional sources of financing.

NOTE 7: DEPRECIATION AND AMORTISATION EXPENSE

Depreciation and amortisation expense by category was:

(In Australian $)	2017	2016
Office and computer equipment	61,063	67,930
Leasehold improvements	46,689	46,689
Intangible amortisation	130,000	130,000
Provisions for asset impairment	-	-
Total Depreciation and Amortisation	**237,752**	**244,619**

NOTE 8: NET FINANCIAL INCOME (EXPENSE)

Financial income and expenses were:

(In Australian $)	2017	2016
Interest expense	(172,308)	(133,554)
Interest income	20,189	26,644
Net Financial Income (Expense)	**(152,119)**	**(106,910)**

Interest expense relates primarily to Shareholder Loans outstanding (refer to Note 20).

NOTE 9: OTHER INCOME (EXPENSE)

(In Australian $)	2017	2016
Research & Development Tax Incentive Credit	1,516,378	1,234,331
Foreign exchange gains (losses)	(132,261)	35,814
Total Other (Income) Expense	**1,384,117**	**1,270,145**

NOTE 10: INCOME TAX

a. Components of Tax Expense

(In Australian $)	2017	2016
Current tax	1,060,116	872,285
Deferred tax	253,338	(13,847)
Total Income Tax Expense	**1,313,454**	**858,438**

b. Reconciliation Prima Facie Tax Expense and Profit before Income Tax

(In Australian $)	2017	2016
Profit before Income Tax	**2,308,896**	**1,469,208**
Tax Rate	30%	30%
Prima Facie Tax Expense	**692,669**	**440,762**
Adjusted for:		
Non-deductible research & development expenditure	590,864	452,588
Permanent timing differences	29,921	(34,912)
Total Income Tax Expense	**1,313,454**	**858,438**

c. Deferred Tax Asset / (Liability)

(In Australian $)	30 June 2017	30 June 2016
Project services revenue	(45,000)	191,878
Employee entitlements accruals	340,970	294,101
Capitalised software development costs	(86,425)	-
Leasehold improvements amortisation	47,490	38,733
Prepaid expenses and other accruals	10,363	3,413
Other, net	-	(7,389)
Total Deferred Tax Asset	**267,398**	**520,736**

d. Income Tax Refund Receivable

(In Australian $)	30 June 2017	30 June 2016
Income Tax Refund Receivable	646,015	538,789
Income Tax Payable	-	-
Total Tax Refund Receivable (refer to Note 12)	**646,015**	**538,789**

NOTE 11: AUDITORS REMUNERATION

Stantons International performed the audit of the financial statements for the two years ended 30 June 2017 and has not provided any non-audit services to the Company. Remuneration paid to the Company's auditors was:

(In Australian $)	2017	2016
Auditor remuneration for audit and financial statement review	20,000	-

NOTE 12: CURRENT TRADE AND OTHER RECEIVABLES

Intangible assets were composed of:

(In Australian $)	30 June 2017	30 June 2016
Trade receivables	2,632,823	1,981,722
Income tax refund receivable (refer to Note 10d)	646,015	538,789
Amount owed to related party (refer to Note 23)	175,000	-
Total Current Trade and Other Receivables	**3,453,838**	**2,520,511**

NOTE 13: PLANT AND EQUIPMENT

Plant and equipment is composed of:

(In Australian $)	30 June 2016	Additions	Deductions	30 June 2017
Office and Computer Equipment				
Historical Cost	748,923	53,196	(101,436)	700,683
Accumulated depreciation	(432,246)	(61,063)	97,395	(394,914)
	316,677	**(7,867)**	**(4,041)**	**304,769**
Leasehold Improvements				
Historical Cost	700,338	-	-	700,338
Accumulated depreciation	(209,884)	(46,688)		(256,572)
	490,454	**(46,688)**	**-**	**443,765**
Total	**807,131**	**(54,555)**	**(4,041)**	**748,535**

Office and Computer Equipment includes fine art with a net book value of $168,019 as of 30 June 2017 ($171,449 as of 30 June 2016).

NOTE 14: INTANGIBLE ASSETS

Intangible assets were composed of:

(In Australian $)	30 June 2016	Additions	Deductions	30 June 2017
Capitalised Software Costs				
Historical cost	-	288,083	-	288,083
Accumulated depreciation	-	-	-	-
	-	**288,083**	**-**	**288,083**
Other Intangibles				
Historical cost	650,000	-	-	650,000
Accumulated depreciation	(130,000)	(130,000)		(260,000)
	520,000	**(130,000)**	**-**	**390,000**
Goodwill				
Historical cost	230,000	-	-	230,000
Accumulated Impairment	-	-	-	-
	230,000	**-**	**-**	**230,000**
Total Intangible Assets	**750,000**	**158,083**	**-**	**908,083**

During financial year 2017, the Company capitalised $288,083 of software development costs related to improvements in the functionality of the company's core products to deal with customers who experience internet connectivity issues. The functionality will be put into service in financial year 2018 and the total development costs will be amortised over a 3 year useful life.

Other intangibles and goodwill relate to the acquisition of Latitude Learning Academy in financial year 2016. The identifiable intangibles purchased are being amortised over their 5 year estimated useful life (refer to Note 23).

NOTE 15: INTERESTS IN SUBSIDIARIES

The Company has a 50% interest Janison Asia Pte. Ltd, incorporated in Singapore. The subsidiary is used only to recharge expenditure and has no profit or loss and therefore non-controlling interest at either 30 June 2017 or 30 June 2016.

NOTE 16: ACCOUNTS PAYABLE AND ACCRUALS

(In Australian $)	30 June 2017	30 June 2016
Trade payables	750,804	1,025,767
Sundry accrued expenses	21,021	141,488
Line of Credit-Bank Overdraft [(a)]	64,470	-
Total Accounts Payable and Accruals	**836,295**	**1,167,255**

(a) The Company has a $1 million bank over-draft facility with National Australia Bank which bears interest at a variable rate.

NOTE 17: EMPLOYEE ENTITLEMENTS ACCRUAL

(In Australian $)	30 June 2017	30 June 2016
Current		
Employee leave entitlements accrual	726,820	643,920
Non-Current		
Employee leave entitlements accrual	88,466	109,834
Total Employee Wages and Benefits Payable	**815,286**	**753,754**

Janison employees receive entitlements that vest and accumulate over-time. Employees receive 25 days leave per year and also accrue long-service leave benefits under the relevant state scheme. The employee entitlements accrual includes all vested and unused leave benefits as of each reporting date.

NOTE 18: INCOME IN ADVANCE

Invoiced but unearned revenues by segment were:

(In Australian $)	30 June 2017	30 June 2016
Assessment customers	524,085	1,861,230
Learning customers	1,577,613	1,170,611
Total Income in Advance	**2,101,698**	**3,031,841**

NOTE 19: FINANCING OBLIGATION

In December 2014, the Company entered into an agreement with Microsoft to licence Azure Cloud hosting services at a fixed rate over a 3 year period . The agreement committed the Company to a minimum licence fee based upon specified usage volume levels. The minimum base licence fee was set at $727,279, including GST, for a three year period starting 1 January 2015. This licence fee was payable in advance and was non-refundable should the company not use all of the services purchased. Under the agreement, usage charges above the annual base commitment amount are considered excess usage and are payable quarterly.

To finance the above commitment, the Company entered into a loan agreement with Microsoft Financing. The non-cancellable loan agreement required the company to pay $21,263 per month in 36 instalments starting on 1 January 2015. The agreement also allows the company to finance excess usage charges by adding them to the obligation and repaying the amount monthly over the remaining term of the financing agreement.

In December 2016, at the end of the second year of the three-year agreement, the Company renegotiated the arrangement with Microsoft for the remaining year. In exchange for increasing the minimum base commitment level, Microsoft agreed to a better overall rate on the volumes used. The new agreement sets the minimum base commitment at $660,678, including GST, for the third year of the agreement and is the subject of a revised financing agreement that is now interest free due to the higher level of the commitment.

Under the revised agreement effective from 1 January 2017 and expiring 31 December 2017, the Company pays $55,062 per month minimum. In addition, from February 2017, the Company pays an additional $23,883 per month related to excess charges for the quarter ending 31 December 2016.

NOTE 20: SHAREHOLDER LOANS

Shareholder loans have been provided by the Company's founding shareholders based upon a 10 year agreement signed in October 2010. The interest rate on the loans was 8% in financial year 2016 and was reduced to 7% in financial year 2017. The loans are secured by the assets of the company and are repayable upon demand of the lender or the termination date, if not repaid before. The loans can be repaid at any time without penalty. As of 30 June 2017 and 2016, the loans totalled $2,500,013.

NOTE 21: SHARE CAPITAL

(In Australian $)	30 June 2017	30June 2016
Share Capital Outstanding	880,002	1,108,778
Number of Shares Outstanding Fully Paid Shares	89	100

(In Australian $)	No. Shares	Value $
Movement in Ordinary Shares:		
Balances at 30 June 2016	**100**	**1,108,778**
Share buy-back	(11)	(228,776)
Balances at 30 June 2017	**89**	**880,002**

NOTE 22: DIVIDENDS

(In Australian $)	2017	2016
Dividends Declared and Paid		
21 January 2016	-	200,000
06 May 2016	-	1,392,828
19 December 2016	219,989	
Total Dividends	**219,989**	**1,592,828**

NOTE 23: RELATED PARTY TRANSACTIONS

On 15 September 2011, the Company entered into a 5 year lease for its Coffs Harbour office facility with Houlden Properties, Ltd., owned by Wayne and Jacquie Houlden, Directors of the Company. The lease was renewed in 2016 for an additional 7-year period with an option to renew for a further 7 year period. During financial year 2017, the Company paid $217,360, plus GST ($210,434 in financial year 2016) as rent under the terms of the contract. The rental fees under the contract were established on the basis of a rental appraisal.

Shareholder loans of $2,500,013 were outstanding as of 30 June 2017 and 2016 (refer to Note 20).

The Company sources content to service some of its Learning Division customers from Execast Pty. Ltd., a company wholly owned by Thomas Richardson, the Company's CEO and a shareholder. During financial year 2017, the Company incurred $83,333 in licence fees to Execast Pty. Ltd for content ($49,000 in financial year 2016).

In June 2017, the shareholders of Janison, established Janison Insights Pty Ltd. with ownership mirroring that of the Company. This related entity has no activity and was set-up to facilitate future financial or legal restructuring plans. As of 30 June 2017, Janison Solutions advanced this new entity $175,000, which has since been repaid to Janison Solutions.

NOTE 24: ACQUISITIONS

On 6 August 2015, the Company acquired Latitude Learning Academy Pty Ltd for total consideration of $880,000 which was settled in fully paid shares of the Company.

Details of the fair value of the assets and liabilities acquired are as follows:

(in Australian $)	
Consideration transferred (in the form of Company shares)	880,000
Fair value of assets acquired [(a)]	(650,000)
Goodwill on acquisition (Refer to Note 14)	**230,000**

(a) The company valued relationships acquired as part of the acquisition at $650,000. These intangible assets are being amortised over 5 years.

NOTE 25: CONTINGENT ASSETS AND LIABILITIES

The Company has no contingent assets. No warranty or legal claims were brought against the Company during the year.

NOTE 26: LEASE COMMITTMENTS

The Company leases its Coffs Harbour headquarters and Sydney office space under non-cancellable operating leases. Committed and unrecognised liabilities under these leases were:

(in Australian $)	30 June 2017	30 June 2016
Within one year	338,671	338,671
One to five years	1,050,730	1,185,821
After 5 years	42,413	245,992
Total Minimum Lease Payments	**1,431,814**	**1,770,484**

The above commitments relate to leases for buildings located at 394A Harbour Drive, Coffs Harbour, NSW and 383 Kent Street, Sydney.

NOTE 27: FINANCIAL RISK MANAGEMENT

The Company's activities expose it to several financial risks as described below. The Company's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Company. To date, the Company has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposures identified.

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

(in Australian $)		30 June 2017	30 June 2016
Financial Assets			
Cash and cash equivalents		1,358,105	2,854,354
Trade and other receivables	11	3,453,838	2,520,511
Pre-paid expenses		478,070	402,858
Total Financial Assets		**5,290,013**	**5,777,723**
Financial Liabilities, at amortised cost			
Trade and other accruals	15	836,295	1,167,255
Financing obligation-Current		394,727	246,427
Financing obligation-Non-current		-	126,343
Shareholder loans-non-current		2,500,013	2,500,013
Total Financial Assets		**3,731,035**	**4,040,038**

The fair value of financial assets and liabilities equate to their carrying value.

Credit risk

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the table above.

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Credit risk related to balances with banks and other financial institutions is managed by management in accordance with approved Board policy.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Refer to the table below for the concentration of revenue.

The Company has a significant concentration of credit risk as three of the largest clients represent 55% of the sales for the 2017 financial year (47% in the 2016 financial year).

Trade and other receivables (refer to Note 12) that are neither past due nor impaired are considered to be of high credit quality:

(in Australian $)	30 June 2017	30 June 2016
Australia	2,465,871	1,393,508
United Kingdom	27,822	-
Singapore	32,132	413,993
New Zealand	106,998	174,221
Total Current and Unimpaired Trade and Other Receivables	**2,632,823**	**1,981,722**

Market risk

Foreign exchange risk

The Company is exposed to material foreign exchange risk due to debtors with overseas clients and customers as presented in the table above. The company does not have significant creditors which require payment in foreign currencies.

Liquidity risk

The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet the Company's expected financial commitments in a timely and cost effective manner.

The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

The material liquidity risk for the Company is the ability to raise equity or debt financing in the future.

Financial liabilities consist of two items, trade and other payables for which the contractual maturity dates are within 6 months of the reporting date and loans and borrowings.

	Rate[a]	1 Year or less	Between 2 And 5 Years	Total
As of 30 June 2017:				
Non-Interest Bearing:				
Trade and other payables		836,295		836,295
Other liabilities		394,727		394,727
Interest Bearing:				
Loans and borrowings	7.0%		2,500,013	2,500,013
Total Non-Derivatives		**1,231,022**	**2,500,013**	**3,731,035**

	Rate[a]	1 Year or less	Between 2 And 5 Years	Total
As of 30 June 2016:				
Non-Interest Bearing:				
Trade and other payables		1,167,255		1,167,255
Interest Bearing:				
Loans and borrowings	8.0%		2,500,013	2,500,013
Other Liabilities	3.3%	246,427	126,343	372,770
Total Non-Derivatives		**1,413,682**	**2,626,356**	**4,040,038**

[a] Weighted Average Interest Rate.

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

Interest rate risk

The Company's main interest rate risk arises from borrowings and cash and cash equivalents. The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on financial liabilities is not material.

The Company has net interest bearing liabilities and therefore income and operating cash flows are subject to changes in the market rates. The Company regularly analyses its interest rate exposure. Within this analysis consideration is given to expected interest rate movements and the Company's future cash requirements, potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates. A movement in interest rates of +/- 100 basis points will result in less than a +/- $22,000 (2016: $13,000) impact on the Company's results and operating cash flows.

NOTE 28: EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Company details

The registered office of the Company is:

Janison Solutions Pty Ltd
394A Harbour Drive
Coffs Harbour, NSW 2450

The principal place of business is:

Janison Solutions Pty Ltd
394A Harbour Drive
Coffs Harbour, NSW 2450

Directors' Declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

1 The financial statements and notes, as set out on pages 5 to 30, are in accordance with the *Corporations Act 2001*:

a Comply with Accounting Standards as described in Note 1 to the financial statements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b Give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements; and

2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Chief Executive Officer and Director

Dated the 8th day of September 2017

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JANISON SOLUTIONS PTY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Janison Solutions Pty Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1.2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Janison Solutions Pty Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.2

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
8 September 2017