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# **CONTROL BIONICS HOLDINGS PTY LTD**

(ABN 45 115 465 462)

**2019 FINANCIAL REPORT**

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## **DIRECTORS' REPORT**

Your directors present their report on Control Bionics Holdings Pty Ltd ('the Company') and its controlled entities ('the Consolidated Group') for the financial year ended 30 June 2019.

### **Directors**

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

Mr Lindsay John Phillips

Mr Peter Shann Ford

Mr Robert William Wong

Mr William Bruce McMurray

Mr Roger David Hawke (appointed 19 September 2018)

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

### **Review of Operations**

The loss of the Consolidated Group for the financial year after providing for income tax amounted to \$1,931,652 (2018: \$972,455)

### **Significant Changes in the State of Affairs**

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

### **Principal Activities**

The principal activities of the Consolidated Group during the financial year were the development, commercialisation and sale of wearable electromyographic assistive communications technologies and related products.

No significant change in the nature of these activities occurred during the year.

### **Events Subsequent to the End of the Reporting Period**

On 15 November 2019, the Company commenced a capital raise which secured an additional \$1,544,963 through the issue of 617,985 shares at a subscription price of \$2.50.

The funds raised will provide the Consolidated Group with working capital to fund its activities over the next 12 months.

On 12 February 2020 the Company adopted an Employee Share Option Plan, capped at 5% of issued capital.

### **Likely Developments and Expected Results of Operations**

The Consolidated Group will continue to pursue its strategic objectives by further developing and commercialising its technologies and associated products.

### **Environmental Regulation**

The Consolidated Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

**CONTROL BIONICS HOLDINGS PTY LTD**  
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**Dividends**

No dividends were paid or declared since the start of the financial year.

**Options**

Unissued ordinary shares in the Company under option at the date of this report are:

<b>Date options granted</b>	<b>Expiry date</b>	<b>Exercise price of shares (\$)</b>	<b>Number under option</b>
23 December 2016	23 December 2021	1.20	600,000
12 April 2017	12 April 2022	1.20	10,000
28 June 2017	28 June 2022	1.20	636,043
12 February 2020	12 February 2025	2.50	200,337
			1,446,380

See note 19 for details.

**Indemnification of Officers or Auditor**

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Consolidated Group.

The Consolidated Group has an insurance policy which also insures Directors, the Company Secretary and some employees (including former Directors) against certain liabilities (including legal costs) that they may incur in carrying out their duties. This policy was taken out with effect from 24 July 2018 with insurance premiums totaling \$21,160 paid during the financial year.

**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 s 307C of the *Corporations Act 2001* is set out on the following page.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director

  
.....

Roger Hawke - Chairman

Sydney, 11 March 2020

**DECLARATION OF INDEPENDENCE BY KIERAN GOULD TO THE DIRECTORS OF CONTROL BIONICS HOLDINGS PTY LTD**

As lead auditor of Control Bionics Holdings Pty Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Control Bionics Holdings Pty Ltd and the entities it controlled during the period.



Kieran Gould  
Partner

**BDO East Coast Partnership**

Sydney, 11 March 2020

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Consolidated Group	
		2019	2018
		\$	\$
Revenue	3	781,447	805,415
Other income	3	119,924	87,002
Raw materials and consumables used		(345,267)	(74,065)
Employee benefits expense		(1,061,031)	(1,011,617)
Depreciation and amortisation		(9,217)	(4,708)
Marketing and promotion		(424,281)	(220,015)
Development costs		(361,225)	(79,035)
Legal fees, patents and insurance		(131,929)	(65,714)
Corporate travel		(80,317)	(48,349)
Other expenses		(419,320)	(360,213)
Finance costs		(436)	(1,156)
<b>Loss before income tax</b>		<b>(1,931,652)</b>	<b>(972,455)</b>
Income tax expense	13	-	-
<b>Loss for the year</b>		<b>(1,931,652)</b>	<b>(972,455)</b>
<b>Other comprehensive income, net of income tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		(38,589)	37,139
<b>Other comprehensive income for the year</b>		<b>(38,589)</b>	<b>37,139</b>
<b>Total comprehensive income for the year</b>		<b>(1,970,241)</b>	<b>(935,316)</b>
Total comprehensive income attributable to:			
Members of the parent entity		(1,970,241)	(935,316)

**CONTROL BIONICS HOLDINGS PTY LTD**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	Consolidated Group	
		2019	2018
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	798,886	1,838,597
Trade and other receivables	7	289,171	256,140
Inventories	8	180,456	87,955
<b>TOTAL CURRENT ASSETS</b>		<b>1,268,513</b>	<b>2,182,692</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		31,351	9,766
Intangible assets	10	4,080,477	4,081,000
Other non-current assets	11	48,893	32,724
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,160,721</b>	<b>4,123,490</b>
<b>TOTAL ASSETS</b>		<b>5,429,234</b>	<b>6,306,182</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	258,554	139,780
Employee benefits	14	117,244	76,101
<b>TOTAL CURRENT LIABILITIES</b>		<b>375,798</b>	<b>215,881</b>
<b>TOTAL LIABILITIES</b>		<b>375,798</b>	<b>215,881</b>
<b>NET ASSETS</b>		<b>5,053,436</b>	<b>6,090,301</b>
<b>EQUITY</b>			
Issued capital	15	11,477,063	10,543,687
Reserves	18	653,059	691,648
Retained earnings		(7,076,686)	(5,145,034)
<b>TOTAL EQUITY</b>		<b>5,053,436</b>	<b>6,090,301</b>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

**Consolidated Group**

	Issued capital	Retained earnings	Foreign currency translation reserve	Option reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	7,909,738	(4,172,579)	(42,652)	530,904	4,225,411
<b>Comprehensive income</b>					
Loss for the year	-	(972,455)	-	-	(972,455)
Other comprehensive income for the year	-	-	37,139	-	37,139
<b>Total comprehensive income for the year attributable to members of the parent</b>	-	(972,455)	37,139	-	(935,316)
Recognition of share based payments	-	-	-	166,257	166,257
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year	2,633,949	-	-	-	2,633,949
<b>Total transactions with owners and other transfers</b>	2,633,949	-	-	166,257	2,800,206
<b>Balance at 30 June 2018</b>	10,543,687	(5,145,034)	(5,513)	697,161	6,090,301
<b>Comprehensive income</b>					
Loss for the year	-	(1,931,652)	-	-	(1,931,652)
Other comprehensive income for the year	-	-	(38,589)	-	(38,589)
<b>Total comprehensive income for the year attributable to members of the parent</b>	-	(1,931,652)	(38,589)	-	(1,970,241)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year	933,376	-	-	-	933,376
<b>Total transactions with owners and other transfers</b>	-	-	-	-	-
<b>Balance at 30 June 2019</b>	11,477,063	(7,076,686)	(44,102)	697,161	5,053,436

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Consolidated Group	
		2019	2018
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		723,357	672,674
Receipts from government grants		89,732	133,898
Payments to suppliers and employees		(2,763,521)	(1,782,151)
Interest received		5,058	4,736
Net cash generated by (used in) operating activities		(1,945,374)	(970,843)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(35,648)	(14,334)
Net cash used in investing activities		(35,648)	(14,334)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		933,376	2,633,949
Net cash generated by financing activities		933,376	2,633,949
Net increase in cash and cash equivalents held		(1,047,646)	1,648,772
Cash and cash equivalents at beginning of financial year		1,838,597	190,140
Foreign currency exchange rate changes on cash and cash equivalents		7,935	(315)
Cash and cash equivalents at end of financial year	6	798,886	1,838,597

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**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

The consolidated financial statements and notes represent those of Control Bionics Holdings Pty Ltd and its controlled entities (the 'Consolidated Group' or 'Group').

The separate financial statements of the parent entity, Control Bionics Holdings Pty Ltd, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 11 March 2020 by the directors of the Company.

**Note 1: Summary of Significant Accounting Policies**

**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 following Accounting Standards and Interpretations are most relevant to the Consolidated Group:

*AASB 9 Financial Instruments*

The Consolidated Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

*AASB 15 Revenue from Contracts with Customers*

The Consolidated Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are 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.

*Impact of adoption*

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. The adoption had no impact on opening retained profits as at 1 July 2018.

The new Accounting Standards, compared with the previous Accounting Standards, have the effect of deferring revenue associated with customer technical support including the sale contract ongoing over the 12 month service period.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019

**Note 1: Summary of Significant Accounting Policies (continued)**

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs. The amounts presented in the financial statements have been rounded to the nearest dollar.

**Going concern**

The financial statements of the Consolidated Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As at 30 June 2019, the Consolidated Group had net assets of \$5,053,436 (2018: \$6,090,301), including cash and cash equivalents of \$798,886 (2018: \$1,838,597). During the financial year the Consolidated Group recorded a loss of \$1,931,652 (2018: \$972,455) and cash outflows from operating activities of \$1,945,374 (2018: \$970,843).

To address the future additional funding requirements of the Consolidated Group, since 30 June 2019, the directors have secured additional equity funding from current and new shareholders.

On 15 November 2019, the Company commenced a capital raise which secured an additional \$1,544,963 through the issue of 617,985 shares at a subscription price of \$2.50. The funds raised will provide the Company with working capital to fund its activities over the next 12 months.

At the date of this report, the directors are confident that the Consolidated Group is adequately funded to meet its minimum expenditure commitments and support its planned level of expenditure for a period of at least 12 month, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

The directors consider that the Consolidated Group is a going concern, and this financial report has been prepared on that basis.

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Control Bionics Holdings Pty Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity. A list of the subsidiaries is provided in [Note 9](#).

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

**Impairment of Assets**

At the end of each reporting period, the Consolidated Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

**Foreign Currency Transactions and Balances**

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Group companies**

Where a member of the Consolidated Group has a different accounting period to that of the parent entity, that entity is consolidated into the Consolidated Group on the basis of twelve months' activity derived from the entity's financial records.

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Group's foreign currency translation reserve in the statement of financial position via other comprehensive income.

**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 (ATO).

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 ATO is included with other receivables or 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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019

**Note 1: Summary of Significant Accounting Policies (continued)**

**Critical Accounting Estimates and Judgements**

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

**Key estimates**

*Research and development tax offset*

An estimate has been made of the refundable research and development tax offset due to the Consolidated Group in respect of research and development activities conducted during the year. This estimate is based on a calculation of expenditure on eligible research and development activities.

**Key judgements**

*Impairment – general*

The Consolidated Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Consolidated Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. No impairment has been recognised in respect of intangible assets at the end of the reporting period.

*Employee benefits*

For the purpose of measurement, AASB 119 : *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the Consolidated Group expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the following 12-month period, obligations for annual leave entitlements are classified under AASB 119 as other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

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**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 2: Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets	912,977	1,995,947
Non-current assets	4,100,374	4,268,357
<b>TOTAL ASSETS</b>	<b>5,013,351</b>	<b>6,264,304</b>
<b>LIABILITIES</b>		
Current liabilities	6,198	28,140
<b>TOTAL LIABILITIES</b>	<b>6,198</b>	<b>28,140</b>
<b>NET ASSETS</b>	<b>5,007,153</b>	<b>6,236,164</b>
<b>EQUITY</b>		
Issued capital	11,477,063	10,543,687
Reserves	697,161	697,161
Retained earnings	(7,167,071)	(5,004,684)
<b>TOTAL EQUITY</b>	<b>5,007,153</b>	<b>6,236,164</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total loss	2,162,387	1,459,625
Total comprehensive income	2,162,387	1,459,625

**Guarantees**

Control Bionics Holdings Pty Ltd has not entered into any guarantees, in the current or previous financial years, in relation to the debts of its subsidiaries (2018: None).

**Contingent liabilities**

At 30 June 2019, Control Bionics Holdings Pty Ltd had no contingent liabilities (2018: None).

**Contractual commitments**

At 30 June 2019, Control Bionics Holdings Pty Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2018: None).

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 3: Revenue and Other Income**

The Consolidated Group recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Group identifies the contract with a customer; identifies the performance obligations in the contract; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The two primary performance obligations identified are: sale of goods and provision of 12 months fair use technical support.

The refundable component of the research and development tax offset is recognised as other income in the same year in which the associated expenses have been incurred. The receipt of the research and development tax offset is dependent on the submission and acceptance by the Australian Taxation Office of a research and development project description, and the Company fulfilling its requirement to lodge a company tax return for the relevant year.

All revenue is stated net of the amount of goods and services tax.

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Revenue from contracts with customers		
– Sale of goods	753,905	781,576
– Technical support	27,542	23,839
	781,447	805,415

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

*Geographical regions*

<i>Australia</i>	222,162	-
<i>United States</i>	559,285	-
	781,447	-

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue.

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**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 3: Revenue and Other Income (continued)**

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
Other income:		
- Interest received	5,058	1,835
- Government grants (research and development tax offset)	114,866	85,167
	119,924	87,002

**Note 4: Profit before Income Tax**

**Retirement benefit obligations – defined contribution superannuation benefits**

All employees of the Australian Group companies receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Profit before income tax includes the following specific items:

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2019</b>	<b>2018</b>
<b>Expenses</b>			
<i>Employee benefits expense:</i>		<b>\$</b>	<b>\$</b>
- contributions to defined contribution pension funds		90,673	71,686
- equity-settled share-based payments	19	-	166,257
<i>Other expenses:</i>			
- Rental expense on operating leases		33,960	7,358

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019

**Note 5: Key Management Personnel Compensation**

The totals of remuneration paid to key management personnel ("KMP") of the Group during the year are as follows:

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Key management personnel compensation	329,178	131,400

No remuneration was paid by the parent entity to KMP.

**Other KMP transactions**

For details of other transactions with KMP, refer to Note 19.

**Note 6: Cash and Cash Equivalents**

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

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	798,886	1,838,597

*Reconciliation of cash and cash equivalents*

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	798,886	1,838,597
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**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 7: 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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Consolidated Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	105,412	155,155
Other receivables	68,893	11,253
Government grants (research and development tax offset)	114,866	89,732
Total current trade and other receivables	289,171	256,140

*Allowance for expected credit losses*

The Consolidated Group has recognised no losses in profit or loss in respect of expected credit losses for the year ended 30 June 2019.

**Note 8: Inventories**

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects has been assigned by using specific identification of their individual costs.

Where inventories of items are interchangeable, the Consolidated Group has elected to assign costs to inventories on the basis of weighted average costs. This cost formula has been implemented as management is of the opinion that the weighted average basis will provide more relevant information, and result in a more accurate carrying amount of inventory at the end of each reporting period.

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
At cost:		
Raw materials and stores	180,456	87,955
	180,456	87,955

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 9: Interests in Subsidiaries**

**Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the parent entity. The assets, liabilities, income and expenses of the subsidiaries have been consolidated on a line-by-line basis in the consolidated financial statements of the Consolidated Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group*	
		2019	2018
		%	%
Control Bionics Pty Ltd	Sydney, Australia	100	100
Control Bionics Inc.	Ohio, U.S.A.	100	100

\* Percentage of voting power in proportion to ownership

The financial year of Control Bionics Inc. runs from 1 January to 31 December. For the purpose of preparing these financial statements, subsidiary financial information was prepared as of the same reporting date as the Group's financial statements.

**Significant Restrictions**

There are no significant restrictions over the Consolidated Group's ability to access or use assets, and settle liabilities, of the Consolidated Group.

**Note 10: Intangible Assets**

**Intellectual property**

Expenditure during the research phase of a project is recognized as an expense when incurred.

Expenditure on intellectual property acquired from third parties is carried at cost less any provision for impairment. Impairment testing is performed annually.

All intellectual property held as a non-current asset was acquired from third parties; no intellectual property was internally-generated.

The intellectual property held as a non-current asset at the year-end comprises proprietary plans, specifications, modelling, knowledge, techniques, software and machine code that enable the Consolidated Group to develop the proprietary assistive technology used in its business.

The majority of the intellectual property owned by the Consolidated Group is represented by technical know-how which is an integral part of the product produced. Without this technical know-how, the Consolidated Group would be unable to produce and market its product. For as long as the Consolidated Group continues its current operations, that technical know-how will continue to be applied, and there is therefore no foreseeable limit to the length of time over which the asset is anticipated to generate revenue.

The intellectual property is therefore considered to have an indefinite useful life.

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 10: Intangible Assets (continued)**

The recoverable amount of the intellectual property has been determined based on fair value as calculated by reference to the active market for the underlying shares in the Company.

**Patents and trademarks**

Patents and trademarks are capitalised at their purchase or registration cost and the resulting asset amortised over their effective lives.

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Intellectual property and patents</b>		
Cost	4,082,034	4,082,034
Amortisation	(1,557)	(1,034)
Accumulated impairment losses	-	-
Net carrying amount	4,080,477	4,081,000

**Reconciliation of intellectual property and patents**

Balance at 1 July	4,081,000	4,073,415
Additions	2,362	8,619
Amortisation	(2,885)	(1,034)
Closing carrying amount at 30 June	4,080,477	4,081,000

**Note 11: Other Non-Current Assets**

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Office deposit bond	11,276	11,276
Other non-current assets	37,617	21,448
	48,893	32,724

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 12: Trade and Other Payables**

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

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Trade payables	253,554	121,780
Sundry payables and accrued expenses	5,000	18,000
	258,554	139,780
	258,554	139,780

**Note 13: Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current year. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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.

Control Bionics Holdings Pty Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 December 2005. Control Bionics Holdings Pty Ltd is the head entity of the tax consolidated group. All tax liabilities will be recognised in the head entity in the absence of any tax sharing agreement. No amounts have been recognised in the financial statements as no tax is payable.

The amount of unused tax losses for which no deferred tax assets have been brought to account:

– Tax losses: operating losses \$2,491,543 (2018: \$2,232,559)

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 14: Employee benefits**

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

**Provision for annual leave**

Provision for employee benefits represents amounts accrued for annual 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 Group 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 Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
CURRENT	<b>\$</b>	<b>\$</b>
Annual leave	46,056	30,023
Long service leave	35,144	25,164
Other leave	36,044	20,914
Total current provisions	117,244	76,101

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 15: Issued Capital**

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
9,399,093 (2018: 8,952,501) fully paid ordinary shares and 200,000 (2018: 200,000) partly paid ordinary shares	11,477,063	10,543,687
Total issued capital	11,477,063	10,543,687
	<b>No.</b>	<b>No.</b>
a. At the beginning of the reporting period	9,152,501	7,727,281
Shares issued during the year	446,592	1,425,220
At the end of the reporting period	9,599,093	9,152,501

On 13 August 2018, the Company issued 12,058 ordinary shares at \$2.09 each.

On 4 October 2018, the Company issued 145,694 ordinary shares at \$2.09 each.

On 28 June 2019, the Company issued 288,840 ordinary shares at \$2.09 each.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

**Note 16: Related Party Transactions**

The Consolidated Group's main related parties are as follows:

**Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel.

For disclosures relating to key management personnel, refer to [Note 5](#).

**Other related parties**

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their close family members.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019

**Note 17: Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised immediately as expenses in profit or loss.

**Classification and subsequent measurement**

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

*(ii) Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment of financial assets**

The Consolidated Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 17: Financial Instruments (continued)**

**Derecognition**

The Consolidated Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 9 : *Financial Instruments* as detailed in the accounting policies to these financial statements, are measured at amortised cost as follows:

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents	6	798,886	1,838,597
Loans and receivables	7	289,171	256,140
<b>Total financial assets</b>		1,088,057	2,094,737
<b>Financial liabilities</b>			
Trade and other payables	12	258,554	139,780
<b>Total financial liabilities</b>		258,554	139,780

**Note 18: Reserves**

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Foreign currency translation	(44,102)	(5,513)
Option reserve	697,161	697,161
	653,059	691,648
<b>Foreign currency translation reserve</b>		
Balance at beginning of year	(5,513)	(42,652)
Exchange difference arising on translating foreign operations	(38,589)	37,139
Balance at end of year	(44,102)	(5,513)

The foreign currency translation reserve records exchange differences arising from translating non-monetary assets and liabilities at the current rate at balance date rather than at historical rates.

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**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 18: Reserves (continued)**

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Option reserve</b>		
Balance at beginning of year	697,161	530,904
Arising on share-based payments	-	166,257
Balance at end of year	697,161	697,161

The option reserve relates to share options granted by the Company to its employees under the arrangements outlined at note 19.

**Note 19: Share Based Payments**

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

The number of options granted is at the Company's discretion and intended to reward investment in and those individuals' contributions to the performance of the Company.

The following share-based payment arrangements were in existence during the year:

<b>Options series</b>	<b>Number</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Fair value at grant date</b>
Options granted 23 December 2016	600,000	23/12/2016	23/12/2021	\$1.20	\$335,700
Options granted 12 April 2017	10,000	12/04/2017	12/04/2022	\$1.20	\$5,595
Options granted 28 June 2017	636,043	28/06/2017	28/06/2022	\$1.20	\$355,866
					\$697,161

The exercising of the options issued on 23 December 2016 and 12 April 2017 was conditional on the continued employment of the relevant employee with the Company for twelve months from the date of grant. The options have now vested.

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**NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019**

**Note 19: Share Based Payments (continued)**

**Movement in share options during the year**

The following reconciles the share options outstanding at the beginning and end of the year:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	1,246,043	\$1.20	1,246,043	\$1.20
Exercised during the year	-	-	-	-
Granted during the year	-	-	-	-
Balance at end of year	<u>1,246,043</u>	<u>\$1.20</u>	<u>1,246,043</u>	<u>\$1.20</u>

1,246,043 of the outstanding options are exercisable at the end of the year (2018: 1,246,043).

**Note 20: Capital and Leasing Commitments**

	Consolidated Group	
	2019	2018
<b>Operating Lease Commitments</b>	<b>\$</b>	<b>\$</b>
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
- Not later than 12 months	36,591	33,960
- Between 12 months and five years	51,800	11,446
- Later than five years	-	-
Minimum lease payments	<u>88,391</u>	<u>45,406</u>

The property lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance. An increase of 4% per annum with the next review date being 23 October 2020. The expiry of the lease is 22 October 2021.

**Note 21: Events after the Reporting Period**

On 15 November 2019, the Company commenced a capital raise which secured an additional \$1,544,963 through the issue of 617,985 shares at a subscription price of \$2.50. The funds raised will provide the Consolidated Group with working capital to fund its activities over the next 12 months.

On 12 February 2020 the Company adopted an Employee Share Option Plan, capped at 5% of issued capital.

**CONTROL BIONICS HOLDINGS PTY LTD**  
**(ABN 45 115 465 462)**

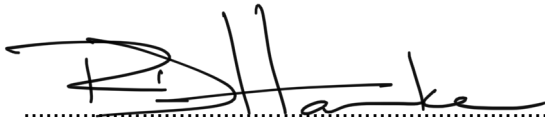
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**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Control Bionics Holdings Pty Ltd, the directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Consolidated Group.
  
2. In the directors' opinion there are reasonable grounds to believe that Control Bionics Holdings Pty Ltd will be able to pay its debts as and when they become due and payable.

Director



.....

Roger Hawke - Chairman

Sydney, 11 March 2020

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## INDEPENDENT AUDITOR'S REPORT

To the members of Control Bionics Holdings Pty Ltd

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Control Bionics Holdings Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Control Bionics Holdings Pty Ltd, 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 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

#### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' Report, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

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

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

#### **BDO East Coast Partnership**

BDO



Kieran Gould  
Partner

Sydney, 11 March 2020

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