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CONTROL BIONICS HOLDINGS PTY LTD

(ABN 45 115 465 462)

2020 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 2020.

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 (Resigned 29 September 2020)

Mr Roger David Hawke

Mr Damian Lismore (Appointed 30 September 2020)

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 \$1,005,500 (2019: \$1,931,652)

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 27 August 2020 the company raised additional capital of \$417,098 through the issue of 166,839 shares at \$2.50 and on 30 September received the balance of \$198,000 from previously uncalled capital.

On 14 September at an Extraordinary General Meeting of members it was resolved that the Company convert the total share capital on issue of 10,399,093 shares into 58,333,333 shares.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in future financial years.

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.

Dividends

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

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.

Options

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

Grant date	Expiry date	Exercise price	Number under option (pre share split)	Number under option (post share split)
23 December 2016	23 December 2021	\$0.21	600,000	3,365,678
12 April 2017	12 April 2022	\$0.21	10,000	56,094
28 June 2017	28 June 2022	\$0.21	636,043	3,567,860
12 February 2020	12 February 2025	\$0.45	200,337	1,123,783
			1,446,380	8,113,415

Indemnification of Officers or Auditor

The Company has agreed to indemnify the Directors in respect of certain liabilities incurred by the Directors while acting as Directors of the Company and while acting as Directors of the Subsidiaries.

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an 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 2019 with insurance premiums totaling \$20,180 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, 14 October 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 2020, 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
Director

BDO Audit Pty Ltd

Sydney, 14 October 2020

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	Consolidated Group	
		2020	2019
		\$	\$
Revenue	3	3,099,092	781,447
Other income	3	201,932	119,924
Raw materials and consumables used		(714,450)	(345,267)
Employee benefits expense		(2,053,942)	(1,109,536)
Depreciation and amortisation	4	(115,190)	(9,217)
Marketing and promotion		(236,831)	(424,281)
Research & development costs		(68,304)	(312,720)
Legal fees, patents and insurance		(81,356)	(131,929)
Corporate travel		(376,323)	(80,317)
Other expenses		(656,798)	(419,320)
Finance costs		(3,330)	(436)
Loss before income tax		<u>(1,005,500)</u>	<u>(1,931,652)</u>
Income tax expense	14	-	-
Loss for the year		<u>(1,005,500)</u>	<u>(1,931,652)</u>
Other comprehensive income, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		43,745	(38,589)
Other comprehensive income for the year		<u>43,745</u>	<u>(38,589)</u>
Total comprehensive income for the year		<u>(961,755)</u>	<u>(1,970,241)</u>
Total comprehensive income attributable to:			
Members of the parent entity		<u>(961,755)</u>	<u>(1,970,241)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Consolidated Group 2020 \$	2019 \$
Current assets			
Cash and cash equivalents	6	1,428,405	798,886
Trade and other receivables	7	316,659	289,171
Inventories	8	179,331	180,456
		1,924,395	1,268,513
Non-current assets			
Property, plant and equipment	9	241,748	31,351
Intangible assets	11	4,084,609	4,080,477
Right of use asset		45,529	-
Other non-current assets	12	49,150	48,893
		4,421,036	4,160,721
Total assets		6,345,431	5,429,234
Current liabilities			
Trade and other payables	13	191,422	258,554
Employee benefits	15	135,328	117,244
Lease liability		37,278	-
		364,028	375,798
Non-current liabilities			
Trade and other payables	13	235,738	-
Employee benefits	15	13,269	-
Lease liability		9,373	-
		258,380	-
Total liabilities		622,408	375,798
Net assets		5,723,023	5,053,436
Equity			
Issued capital	16	13,059,966	11,477,063
Reserves	19	745,243	653,059
Retained earnings		(8,082,186)	(7,076,686)
Total equity		5,723,023	5,053,436

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Group

	Issued capital	Retained earnings	Foreign currency translation reserve	Option reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	10,543,687	(5,145,034)	(5,513)	697,161	6,090,301
Loss for the year	-	(1,931,652)	-	-	(1,931,652)
Other comprehensive income for the year	-	-	(38,589)	-	(38,589)
Total comprehensive income for the year	-	(1,931,652)	(38,589)	-	(1,970,241)
<i>Transactions with owners, in their capacity as owners</i>					
Contributions of equity, net of transaction costs	933,376	-	-	-	933,376
Balance at 30 June 2019	11,477,063	(7,076,686)	(44,102)	697,161	5,053,436
Loss for the year	-	(1,005,500)	-	-	(1,005,500)
Other comprehensive income for the year	-	-	43,745	-	43,745
Total comprehensive income for the year	-	(1,005,500)	43,745	-	(961,755)
<i>Transactions with owners, in their capacity as owners</i>					
Share based payments	-	-	-	48,439	48,439
Contributions of equity, net of transaction costs	1,582,903	-	-	-	1,582,903
Balance at 30 June 2020	13,059,966	(8,082,186)	(357)	745,600	5,723,023

CONTROL BIONICS HOLDINGS PTY LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		3,076,738	723,357
Receipts from government grants		195,568	89,732
Payments to suppliers and employees		(4,134,255)	(2,763,521)
Interest received		1,230	5,058
Interest paid		(3,330)	
Net cash used in operating activities		(864,049)	(1,945,374)
Cash flows from investing activities			
Payment for intangibles		(7,017)	
Purchase of property, plant and equipment		(294,830)	(35,648)
Net cash used in investing activities		(301,847)	(35,648)
Cash flows from financing activities			
Proceeds from issue of shares		1,582,903	933,376
Lease payments		(26,196)	-
Proceeds from US payment protection loan		235,738	-
Net cash generated by financing activities		1,792,445	933,376
Net increase in cash and cash equivalents held		626,549	(1,047,646)
Cash and cash equivalents at beginning of financial year		798,886	1,838,597
Foreign currency exchange rate changes on cash and cash equivalents		2,970	7,935
Cash and cash equivalents at end of financial year	6	1,428,405	798,886

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

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 14 October 2020 by the directors of the Company.

Note 1: Summary of Significant Accounting Policies

New or amended Accounting Standards and Interpretations adopted

The Consolidated Group 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 16 Leases

The Consolidated Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB16 was 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 2019.

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

	New	Previous	Difference
Right of Use Asset	42,529	-	45,529
Lease Liability Current	(37,278)	-	(37,278)
Lease Liability Non-Current	(9,373)	-	(9,373)
Net Assets	(1,122)		(1,122)
Depreciation	27,318	-	27,318
Finance Cost	2,093	-	2,093
Rent expenses	-	28,289	28,289
Surplus for the year	29,411	28,289	(1,122)

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

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.

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 10 .

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.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 1: Summary of Significant Accounting Policies (continued)

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.

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.

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 2020

Note 1: Summary of Significant Accounting Policies (continued)

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.

Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Group operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 1: Summary of Significant Accounting Policies (continued)

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Consolidated Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Indefinite life intangible assets

The Consolidated Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 11. The recoverable amounts of intangible assets have been determined based on value in use calculations using a relief from royalty method. These calculations require the use of assumptions, including estimated future revenue, royalty rates and cost of maintenance.

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.

Employee benefits provision

As discussed in note 15, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

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:

	2020	2019
	\$	\$
Statement of Financial Position		
ASSETS		
Current assets	1,592,354	912,977
Non-current assets	4,104,506	4,100,374
TOTAL ASSETS	5,696,860	5,013,351
LIABILITIES		
Current liabilities	75,086	6,198
TOTAL LIABILITIES	75,086	6,198
NET ASSETS	5,621,774	5,007,153
EQUITY		
Issued capital	13,059,966	11,477,063
Reserves	739,952	697,161
Retained earnings	(8,178,144)	(7,167,071)
TOTAL EQUITY	5,621,774	5,007,153
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	(1,011,073)	(2,162,387)
Total comprehensive income	(1,011,073)	(2,162,387)

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 (2019: None).

Contingent liabilities

At 30 June 2020, Control Bionics Holdings Pty Ltd had no contingent liabilities (2019: None).

Contractual commitments

At 30 June 2020, Control Bionics Holdings Pty Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2019: None).

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

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.

		Consolidated Group	
		2020	2019
		\$	\$
Revenue from contracts with customers			
–	Sale of goods	3,022,613	714,975
–	Rental	19,180	38,930
–	Technical trials and support	57,299	27,542
		<u>3,099,092</u>	<u>781,447</u>

Disaggregation of revenue

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

Geographical regions

<i>Australia</i>	1,012,958	222,162
<i>United States</i>	2,086,134	559,285
	<u>3,099,092</u>	<u>781,447</u>

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 3: Revenue and Other Income (continued)

	Consolidated Group	
	2020	2019
Other income:		
- Interest income	1,230	5,058
- JobKeeper payment	97,723	-
- Research and development tax offset	102,979	114,866
	<u>201,932</u>	<u>119,924</u>

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:

	Note	Consolidated Group	
Expenses		2020	2019
<i>Employee benefits expense</i>		\$	\$
- contributions to defined contribution pension funds		150,625	90,673
- equity-settled share-based payments		48,439	-
<i>Other expenses</i>			
- Rental expense on operating leases		16,338	33,960
<i>Depreciation and amortisation</i>			
- Property, plant & equipment	9	84,987	6,332
- Intangibles		2,885	2,885
- Right of use asset		27,318	-

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

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:

	Consolidated Group	
	2020	2019
	\$	\$
Key management personnel compensation	331,949	329,178

Other KMP transactions

For details of other share based payment transactions with KMP, refer to Note 20.

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.

	Consolidated Group	
	2020	2019
	\$	\$
Cash at bank and on hand	1,428,405	798,886

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	1,428,405	798,886
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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

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.

	Consolidated Group	
	2020	2019
	\$	\$
Trade receivables	287,544	105,412
Allowance for expected credit loss	(112,929)	-
Other receivables	22,044	68,893
Government grants (research and development tax offset)	120,000	114,866
Total current trade and other receivables	316,659	289,171
<i>Allowance for expected credit losses</i>		

The Consolidated Group has recognised \$112,929 in profit or loss in respect of expected credit losses for the year ended 30 June 2020 (2019: \$nil).

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.

	Consolidated Group	
	2020	2019
	\$	\$
Raw materials and stores	179,331	180,456

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 9: Property, plant & equipment

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

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

Plant & equipment	2-7 years
Trade & demo equipment	2-5 years

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

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

	Consolidated Group	
	2020	2019
	\$	\$
Plant & equipment at cost	62,593	20,790
Less accumulated depreciation	(12,921)	(9,924)
	<u>49,672</u>	<u>10,866</u>
Trial and demo equipment	274,242	20,485
Less accumulated depreciation	(82,166)	-
	<u>192,076</u>	<u>20,485</u>
	<u>241,748</u>	<u>31,351</u>

Movements in carrying amounts

	Plant & equipment	Trial & demo equipment	Total
Opening balance	10,866	20,485	31,351
Additions	41,435	253,395	294,830
Depreciation	(2,821)	(82,166)	(84,987)
Foreign exchange differences	192	362	554
Closing balance	<u>49,672</u>	<u>192,076</u>	<u>241,748</u>

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 10: 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*	
		2020	2019
		%	%
Control Bionics (Australia) Pty Ltd	Melbourne, 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 11: Intangible Assets

Intellectual property

Expenditure during the research phase of a project is recognised 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 2020

Note 11: Intangible Assets (continued)

Patents and trademarks

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

	Consolidated Group	
	2020	2019
	\$	\$
<i>Intellectual property</i>	4,064,353	4,064,353
<i>Patents & trademarks</i>		
Cost	29,301	22,284
Amortisation	(9,045)	(6,160)
Net carrying amount	20,256	16,124
Total	4,084,609	4,080,477

Note 12: Other Non-Current Assets

	Consolidated Group	
	2020	2019
	\$	\$
Office deposit bond	13,086	11,276
Other non-current assets	36,064	37,617
	49,150	48,893

Note 13: 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.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 13: Trade and Other Payables (continued)

	Consolidated Group	
	2020	2019
	\$	\$
<i>Current</i>		
Trade payables	145,446	253,554
Sundry payables and accrued expenses	45,976	5,000
	<u>191,422</u>	<u>258,554</u>
<i>Non-current</i>		
US Payroll Protection Program (PPP) loan	<u>235,738</u>	<u>-</u>

In response to the potential adverse impact on the Group of the COVID-19 pandemic, the US Subsidiary signed loan documents with Chase Business Banking and received funding of \$161,787 USD (\$235,738 AUD) from the United States Government Small Business Administration (SBA), Payroll Protection Program (PPP) which is part of a program created by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) which provides financial relief from the COVID-19 emergency.

This loan bears interest at a fixed rate equal to 1.0% per annum and is payable every month beginning December 2020. This loan, guaranteed by the SBA will mature in 2 years. SBA may forgive this loan if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. The Group continues to expect to qualify for forgiveness of all of this loan under the provisions of the PPP Program.

Note 14: 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.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 14: Tax (continued)

The amount of unused tax losses for which no deferred tax assets have been brought to account are \$1,708,035 (2019: \$2,491,543) for the Australian consolidated tax group, together with an additional \$2,733,685 USD (2019: \$1,945,763 USD) for Control Bionics Inc. in relation to its tax year.

Note 15: 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.

	Consolidated Group	
	2020	2019
<i>Current</i>	\$	\$
Annual leave	97,592	46,056
Long service leave	37,736	35,144
Other leave	-	36,044
Total current provisions	135,328	117,244
<i>Non-current</i>		
Long service leave	13,269	-

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 16: Issued Capital

	Consolidated Group	
	2020	2019
	\$	\$
10,032,254 (2019: 9,399,093) fully paid ordinary shares and 200,000 (2019: 200,000) partly paid ordinary shares	13,059,966	11,477,063
Total issued capital	13,059,966	11,477,063

Ordinary Shares

	No.	No.
At the beginning of the reporting period	9,599,093	9,152,501
Shares issued during the year	633,161	446,592
At the end of the reporting period	10,232,254	9,599,093

On 12 February 2020, the Company issued 617,985 ordinary shares at \$2.50 each.

On 12 May 2020, 15,176 shares were issued to Directors and Officers in lieu of cash payment of their agreed fees at an issue price of \$2.50 per share at a total transactional value of \$37,940.

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 17: 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.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 18: 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 2020

Note 18: Financial Instruments (continued)

Derecognition

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

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 as follows:

	Note	Consolidated Group	
		2020	2019
		\$	\$
Financial assets			
Cash and cash equivalents	6	1,428,405	798,886
Loans and receivables	7	316,659	289,171
Total financial assets		1,745,064	1,088,057
Financial liabilities			
Trade and other payables	13	427,160	258,554
Lease liabilities		46,651	-
Total financial liabilities		473,811	258,554

Note 19: Reserves

	Consolidated Group	
	2020	2019
	\$	\$
Foreign currency translation	(357)	(44,102)
Option reserve	745,600	697,161
	745,243	653,059
Foreign currency translation reserve		
Balance at beginning of year	(44,102)	(5,513)
Exchange difference arising on translating foreign operations	43,745	(38,589)
Balance at end of year	(357)	(44,102)

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.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 19: Reserves (continued)

Consolidated Group

2020 2019

\$ \$

Option reserve

Balance at beginning of year	697,161	697,161
Arising on share-based payments	48,439	-
Balance at end of year	745,600	697,161

The option reserve relates to share options granted by the Company to its employees under the arrangements outlined at note 20.

Note 20: Share Based Payments

On 12 May 2020, 15,176 shares were issued to Directors and Officers in lieu of cash payment of their agreed fees at an issue price of \$2.50 per share at a total transactional value of \$37,940.

In addition to the options already in existence, on 12 February 2020 the Consolidated Group adopted an Employee Share Option Plan, capped at 5% of issued capital whereby the Consolidated Group may, at the discretion of the board, grant options over ordinary shares in the company to certain key management personnel of the Consolidated Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Employee Share Option Plan.

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.

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

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Options issued 23 December 2016	600,000	23/12/2016	23/12/2021	\$1.20	\$335,700
Options issued 12 April 2017	10,000	12/04/2017	12/04/2022	\$1.20	\$5,595
Options issued 28 June 2017	636,043	28/06/2017	28/06/2022	\$1.20	\$355,866
Options issued 17 February 2020	200,337	17/02/2020	17/02/2025	\$2.50	\$226,781
	1,446,380				\$923,942

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

Note 20: 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:

	2020		2019	
	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	-	-	-	-
Issued during the year	200,337	\$2.50	-	-
Balance at end of year	<u>1,446,380</u>		<u>1,246,043</u>	\$1.20

1,246,043 of the outstanding options are exercisable at the end of the year (2019: 1,246,043).

Note 21: Capital and Leasing Commitments

Consolidated Group

Operating Lease Commitments

2020 2019

\$ \$

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable – minimum lease payments

-	Not later than 12 months	-	36,591
-	Between 12 months and five years	-	51,800
-	Later than five years	-	-
Minimum lease payments		-	<u>45,406</u>

Note 22: Events after the Reporting Period

On 27 August 2020 the company raised additional capital of \$417,098 through the issue of 166,839 shares at \$2.50 and on 30 September received the balance of \$198,000 from previously uncalled capital.

On 14 September at an Extraordinary General Meeting of members it was resolved that the Company convert the total share capital on issue of 10,399,093 shares into 58,333,333 shares.

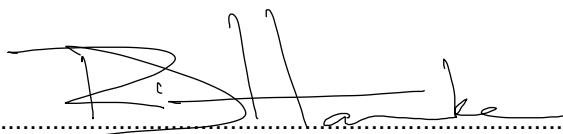
No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in future financial years.

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 2020 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, 14 October 2020

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 2020, 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 2020 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/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO


Kieran Gould
Director

Sydney, 14 October 2020