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Control Bionics Limited

ABN 45 115 465 462

Appendix 4D and Interim Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Control Bionics Limited
Appendix 4D
Interim report

1. Company details

Name of entity:	Control Bionics Limited
ABN:	45 115 465 462
Reporting period:	For the half year ended 31 December 2021
Previous period:	For the half year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	18% to	2,361,786
Loss from ordinary activities after tax attributable to the owners of Control Bionics Limited	up	193% to	(3,129,841)
Loss for the half year attributable to the owners of Control Bionics Limited	up	193% to	(3,129,841)

Dividends

There were no dividends paid, recommended or declared during the half year period.

Comments

The loss for the Group after providing for income tax amounted to \$3,129,841 (31 Dec 2020: \$1,067,352). Further details about results and operations during the period can be found in the Directors' Report in the Control Bionics Limited Interim Report.

3. Net tangible assets

	31 Dec 2021 Cents	30 June 2021 Cents
Net tangible assets per ordinary security	<u>0.12</u>	<u>0.16</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

Control Bionics Limited
Appendix 4D
Half year report

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. An unmodified opinion has been issued.

8. Attachments

Details of attachments (if any):

The Interim Report of Control Bionics Limited for the half year ended 31 December 2021 is attached.

9. Signed

Signed



Date: 23 February 2022

Mr Roger David Hawke
Chairman
Sydney

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Control Bionics Limited

ABN 45 115 465 462

Interim Report - 31 December 2021

Control Bionics Limited
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Control Bionics') consisting of Control Bionics Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2021.

Directors

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

Roger Hawke
Robert Wong
Peter Ford
Damian Lismore
Lindsay Phillips

Principal activities

During the half year, the principal activities of the Group continued to be the development, commercialisation and sale of assistive communications technology systems within the disability sector. The Group's core systems include NeuroNode Trilogy, NeuroNode Duo and Eye-gaze Duo. These systems allow people with speech and movement difficulties to control a computer for speech generation, electronic communications (e.g. email, social media), entertainment and external control of other devices.

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

Review of Financials

The loss for the Group after providing for income tax amounted to \$3,129,841 (31 December 2020: \$1,067,352). Key components include:

- \$2.36 million in total revenue;
- \$0.09 million in other income;
- \$0.45 million for advertising and marketing expenses;
- \$0.99 million for raw materials and production costs;
- \$2.36 million for total employee expenses; and
- \$1.79 million other expenses including general administration, travel, R&D expenses, legal costs and depreciation expenses.

Since the IPO in December 2020, the Group has embarked on a considered investment strategy to build out the business platform that maximises the long term sales potential of the NeuroNode technology in Australia, North America and Japanese assistive technology markets. Management's assessment of COVID-19 was that it would have a significant short to medium term impact on top-line revenue, but would ultimately abate. The strategy is to be ready with a strong footprint as markets open. Great progress has been made with the fundamental plan by investing in:

- broadening the product offering with improvements to the NeuroNode range and augmenting the range with new products like COSMOS Connect and UNO Touch;
- growing and training specialist sales personnel to strengthen our USA/Australian sales teams;
- expanding into regions where we were not represented both across North America/Australia and into new markets including Japan and Singapore;
- appointment of senior talent to lead critical operational aspects of the business;
- building an insurance funding team in preparation for more insurance funded sales;
- building market awareness of NeuroNode technology and brand with key specifiers in key regions; and
- building out quality scalable support systems and resources to assist the business across international multi-language markets

Review of operations

The key highlights for the half year and up to the date of this Directors' Report:

- Revenue for the half year to 31 December 2021 of \$2,361,786 representing 18% growth over the same period (31 December 2020: \$2,005,390).
- Cash receipts for the half year to 31 December 2021 of \$1,849,351 representing 32% growth over the same period (31 December 2020: \$1,395,964).
- Revenue growth was impacted by COVID-19 restrictions in our key markets, but identified sales pipeline is substantial at approximately \$9m.
- Key investments in people and infrastructure continued in the half year as part of the Group's broader strategic plan to increase productivity and grow sales.
- Reseller agreement signed with DNR Wheels in Singapore.
- Rental model activated in Australia adding a new revenue stream.
- Two new products released in the half year: COSMOS Connect and UNO Touch, with more under development.
- Control Bionics named in the top 10 most innovative companies by the Australian Financial Review and named one of the top MedTech providers in 2021 by MedTech Outlook.
- Cash as at 31 December 2021 was \$8,527,205 (30 June 2021: \$12,331,109).

Operations

North America

North American sales operations shipped a record number of devices in November and again in December 2021. Reseller channels like Numotion are becoming regularly active. The new North American VP is having a strong impact on team performance. The Group made planned investments in reimbursement claims talent, to reflect the growing insurance claims sales mix and to expedite accounts receivable collections.

Australia

Australian sales operations have seen an increasing trend for assessments, trials and prescriber meetings as we continue developing strong relationships with significant patient rehabilitation centres (**specifiers**) and patient advocacy groups.

International markets

COVID-19 lockdowns restricted activities in Singapore, Canada and Japan during the period. The Group's investment in securing a distributor in Japan and customising our product for this market is progressing well. We expect to product launch in Japan in March 2022.

Group research and development

The Group continued to develop and extend its product range in order to target expanded sales opportunities and new user groups. Notable actions in the quarter included:

- Launched COSMOS Connect. This product uniquely enables users to extend application of their NeuroNode system to be able to control multiple platforms from one NeuroNode device, including PCs, Macs, iPhones, iPads and Androids; and to play Xbox games, operate robots (such as Obi dining robot) and to operate articulated beds and electronic toys. This product will augment core NeuroNode Trilogy system sales, and also shows significant potential as a standalone controller for the much wider population of people with less severe disabilities than those using NeuroNode. This represents a substantial expansion of our technology to people with disabilities globally.
- Launching the UNO Touch system (both iOS and Windows). This is the Group's first product which targets users who are ambulatory with conditions such as autism. It has been well received by specifiers, with whom trials are underway.

Group research and development (continued)

- Continuing to develop a new NeuroNode software application and firmware which will be launched in February 2022, extending our technology leadership.
- Continuing to develop a new miniaturised NeuroNode device which will help extend the use to more complex conditions, plus provides a basis for potential new applications of our technology.
- Wheelchair control project in collaboration with Deakin University is on schedule for release in calendar 2022.

COVID-19 Impact

COVID-19 has affected the industry's ability to access specifiers of the product (e.g. speech language pathologists) and potential end users due to travel restrictions and lockdowns globally.

During the half year, the USA remained challenging with COVID-19 case numbers still increasing and the hospital system compromised in some areas. In Australia, lockdowns did affect the ability of Australian staff to maximise assessments with clinicians.

Given the nature of our business, we already had in place a high degree of hygiene work practices. All employees are well trained in safety procedures to protect staff, clinicians and clients.

The directors continue to monitor the impact of COVID-19 on business operations and the financial performance of the Group.

Outlook

As the Group rounds out these investments in FY22 and COVID-19 conditions abate, management expects to see solid growing sales and productivity gains. The total identified sales opportunity pipeline is now valued at approximately \$9m, a strong leading indicator of the momentum of the business. While we expect this pipeline to continue to grow, not all will convert into actual sales. The pipeline has various stages and it's important to note, with insurance reimbursement trial/sale requirements, the rolling sales funnel can take up to 9 months to be realised.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half year.

Rounding of amounts

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Events Subsequent to the end of the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

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

Control Bionics Limited
Directors' report
31 December 2021

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'R. Hawke', is written over a horizontal line.

Mr Roger David Hawke
Chairman

23 February 2022
Sydney

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DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF CONTROL BIONICS LIMITED

As lead auditor for the review of Control Bionics Limited for the half-year ended 31 December 2021, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



John Bresolin
Director

BDO Audit Pty Ltd

Sydney, 23 February 2022

Control Bionics Limited

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31 December 2021

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General information

The financial statements cover Control Bionics Limited as a Group consisting of Control Bionics Limited and the entities it controlled at the end of, or during, the half year. The financial statements are presented in Australian dollars, which is Control Bionics Limited's functional and presentation currency.

Control Bionics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 5.01, Level 5
697 Burke Road
Camberwell
VIC 3124

Principal place of business

Suite 5.01, Level 5
697 Burke Road
Camberwell
VIC 3124

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2022. The directors have the power to amend and reissue the financial statements.

Control Bionics Limited
Consolidated Statement of profit or loss and other comprehensive income
For the half year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$	\$
Revenue	3	2,361,786	2,005,390
Other income		91,687	331,575
Expenses			
Raw materials and consumables used		(986,286)	(689,845)
Employee benefits expense		(2,358,491)	(1,269,513)
General and administrative expense		(688,402)	(249,953)
Depreciation and amortisation expense		(224,822)	(47,017)
Marketing and promotion		(449,811)	(83,503)
Research & development costs		(81,356)	(26,225)
Legal fees, patents and insurance		(205,798)	(80,486)
Corporate travel		(203,435)	(81,999)
Professional fees		(315,425)	(100,262)
IPO costs		(33,750)	(774,961)
Foreign exchange gain/(loss)		(31,710)	4,141
Finance costs		(4,028)	(4,694)
Loss before income tax expense		<u>(3,129,841)</u>	<u>(1,067,352)</u>
Income tax expense		-	-
Loss after income tax expense for the half year		(3,129,841)	(1,067,352)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>42,185</u>	<u>15,645</u>
Other comprehensive income for the half year, net of tax		<u>42,185</u>	<u>15,645</u>
Total comprehensive loss for the half year		<u><u>(3,087,656)</u></u>	<u><u>(1,051,707)</u></u>
Total comprehensive loss for the half year is attributable to:			
Owners of Control Bionics Limited		<u><u>(3,087,656)</u></u>	<u><u>(1,051,707)</u></u>
		Cents	Cents
Basic earnings per share		(3.7)	(2.5)
Diluted earnings per share		(3.7)	(2.5)

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

Control Bionics Limited
Consolidated Statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		8,527,205	12,331,109
Trade and other receivables		1,803,034	1,120,722
Inventories		569,413	269,378
Total current assets		<u>10,899,652</u>	<u>13,721,209</u>
Non-current assets			
Property, plant and equipment		451,753	524,143
Intangibles		4,074,917	4,078,824
Right-of-use assets	4	280,587	9,917
Other non-current assets	5	782,029	19,011
Total non-current assets		<u>5,589,286</u>	<u>4,631,895</u>
Total assets		<u>16,488,938</u>	<u>18,353,104</u>
Liabilities			
Current liabilities			
Trade and other payables		789,358	868,581
Employee provisions		334,200	289,889
Lease liabilities	4	99,530	14,869
Borrowings	6	216,883	-
Total current liabilities		<u>1,439,971</u>	<u>1,173,339</u>
Non-current liabilities			
Employee provisions		24,528	16,857
Lease liabilities	4	181,830	-
Total non-current liabilities		<u>206,358</u>	<u>16,857</u>
Total liabilities		<u>1,646,329</u>	<u>1,190,196</u>
Net assets		<u>14,842,609</u>	<u>17,162,908</u>
Equity			
Issued capital	7	29,266,524	28,174,654
Reserves	8	338,938	621,266
Accumulated losses		(14,762,853)	(11,633,012)
Total equity		<u>14,842,609</u>	<u>17,162,908</u>

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

Control Bionics Limited
Consolidated Statement of changes in equity
For the half year ended 31 December 2021

Consolidated	Issued Capital \$	Accumulated Losses \$	Foreign currency translation Reserve \$	Share option Reserve \$	Total equity \$
Balance at 1 July 2020	13,059,966	(8,082,186)	(357)	745,600	5,723,023
Loss after income tax expense for the half year	-	(1,067,352)	-	-	(1,067,352)
Other comprehensive income for the half year, net of tax	-	-	15,645	-	15,645
Total comprehensive loss for the half year	-	(1,067,352)	15,645	-	(1,051,707)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments	-	-	-	66,514	66,514
Contributions of equity, net of transaction costs	14,899,803	-	-	-	14,899,803
Balance at 31 December 2020	<u>27,959,769</u>	<u>(9,149,538)</u>	<u>15,288</u>	<u>812,114</u>	<u>19,637,633</u>

Consolidated	Issued Capital \$	Accumulated Losses \$	Foreign currency translation Reserve \$	Share option Reserve \$	Total equity \$
Balance at 1 July 2021	28,174,654	(11,633,012)	(66,103)	687,369	17,162,908
Loss after income tax expense for the half year	-	(3,129,841)	-	-	(3,129,841)
Other comprehensive income for the half year, net of tax	-	-	42,185	-	42,185
Total comprehensive income/(loss) for the half year	-	(3,129,841)	42,185	-	(3,087,656)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments	-	-	-	46,519	46,519
Shares issued during the period, net of transaction costs	720,838	-	-	-	720,838
Exercise of options	371,032	-	-	(371,032)	-
Balance at 31 December 2021	<u>29,266,524</u>	<u>(14,762,853)</u>	<u>(23,918)</u>	<u>362,856</u>	<u>14,842,609</u>

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

Control Bionics Limited
Consolidated Statement of cash flows
For the half year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,849,351	1,395,964
Receipts from government grants		88,928	329,519
Payments to suppliers and employees		(5,520,602)	(3,321,667)
Interest and other finance costs paid		(3,564)	(6,279)
Interest received		964	-
Net cash used in operating activities		<u>(3,584,923)</u>	<u>(1,602,463)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(122,478)</u>	<u>(130,952)</u>
Net cash used in investing activities		<u>(122,478)</u>	<u>(130,952)</u>
Cash flows from financing activities			
Guarantee paid on new lease arrangements	5	(56,186)	-
Repayment of borrowings		(24,138)	
Proceeds from exercises and issue of shares, net of transaction costs		14,046	14,899,803
Repayment of lease liabilities		<u>(30,266)</u>	<u>(27,894)</u>
Net cash (used in) / generated from financing activities		<u>(96,504)</u>	<u>14,871,909</u>
Net (decrease)/increase in cash and cash equivalents		(3,803,904)	13,138,494
Cash and cash equivalents at the beginning of the financial half year		12,331,109	1,428,405
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial half year		<u><u>8,527,205</u></u>	<u><u>14,566,899</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The 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.

Note 2. Operating segments

Identification of reportable operating segments

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. Operating segments represent the information reported to the chief operating decision makers (CODM), being the executive management team, for the purposes of resource allocation and assessment of segment performance.

The Group has identified one operating segment as the sale of assistive communications technology systems within the disability sector. The segment reported a loss before income tax of \$3,129,841 for the half year ended 31 December 2021 (31 December 2020: \$1,067,352 loss). The segment currently has operations in two geographical locations: Australia and North America. This is consistent with the internal reporting provided to the CODM and is aligned to the one major revenue stream.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of the geographical locations within the operating segment are as follows:

Australia	Sales of Trilogy units and components in Australia
North America	Manufacture and sales of Trilogy units and components in North America

Geographical information

	Sales to external customers	
	31 Dec 2021	31 Dec 2020
	\$	\$
Australia	606,375	701,993
North America	1,755,411	1,303,397
	<u>2,361,786</u>	<u>2,005,390</u>

Note 2. Operating segments (continued)

Segment assets and liabilities

The internal management reporting presented to key business decision makers report total assets and liabilities on the basis consistent with that of the consolidated financial statements. These reports do not allocate assets and liabilities based on the operations of each segment or by geographical location.

Under the current management reporting framework, total assets are not reviewed to a specific reporting segment or geographical location.

Note 3. Revenue

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	2,305,846	1,978,915
Technical trials and support	<u>34,106</u>	<u>14,160</u>
Total Sales and Technical support	2,339,952	1,993,075
Lease of goods (rental)	<u>21,834</u>	<u>12,315</u>
Total Lease rental	21,834	12,315
Total Revenue	<u><u>2,361,786</u></u>	<u><u>2,005,390</u></u>

Disaggregation of revenue

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

	Australia	North America	Total
	\$	\$	\$
Consolidated – 31 Dec 2021			
Revenue from contracts with customers	<u>606,375</u>	<u>1,755,411</u>	<u>2,361,786</u>
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	550,435	1,755,411	2,305,846
Services transferred over time	<u>55,940</u>	<u>-</u>	<u>55,940</u>
	<u>606,375</u>	<u>1,755,411</u>	<u>2,361,786</u>
Consolidated – 31 Dec 2020			
Revenue from contracts with customers	<u>701,993</u>	<u>1,303,397</u>	<u>2,005,390</u>
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	674,114	1,303,397	1,977,511
Services transferred over time	<u>27,879</u>	<u>-</u>	<u>27,879</u>
	<u>701,993</u>	<u>1,303,397</u>	<u>2,005,390</u>

Control Bionics Limited
Notes to the financial statements
31 December 2021

Note 4. Leases

Right of use assets

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Premises - right-of-use	306,095	83,193
Less: Accumulated depreciation	<u>(25,508)</u>	<u>(73,276)</u>
	<u><u>280,587</u></u>	<u><u>9,917</u></u>

Reconciliation

	\$
Opening balance at 1 July 2021	9,917
Additions (new leases)	306,095
Depreciation charge	<u>(35,425)</u>
	<u><u>280,587</u></u>

During the half year the Group entered into two new lease agreements as outlined further below.

Control Bionics Inc

On 1 September 2021, a new 4-year lease agreement commenced for Control Bionics Inc in Milford, Ohio, US. This represents a significantly larger area of floor space for the global manufacturing and distribution operations in North America to support the future growth potential of the Group.

Control Bionics Limited

On 22 November 2021, a new 2-year lease agreement commenced for Control Bionics Limited Inc in Camberwell, Victoria. This represents a larger and better equipped Head Office and distribution centre for the Australian operation to support the future operations of the Australian organisation.

The Group leases buildings for its offices and manufacturing facilities under agreements of two to four years with, in some cases, options to extend. Options to extend current leases have not been included in lease calculations as the Group did not have sufficient certainty at the time of commencement of the lease as to whether such options would be taken up. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Lease Liabilities

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Current	99,530	14,869
Non-current	<u>181,830</u>	<u>-</u>
	<u><u>281,360</u></u>	<u><u>14,869</u></u>

Maturity analysis

Less than one year	-	14,869
One to five years	<u>281,360</u>	<u>-</u>
	<u><u>281,360</u></u>	<u><u>14,869</u></u>

Control Bionics Limited
Notes to the financial statements
31 December 2021

Note 5. Other Non-current assets

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Related party receivable on exercise of options	706,792	-
Deposit paid on new lease arrangement	56,186	-
Other	19,051	19,011
	<u>782,029</u>	<u>19,011</u>

Related party receivable on exercise of options

On 23 December 2016, Rob Wong, CEO, was granted options with an exercise price of \$0.21 and an expiry date of 23 December 2021. In line with listing rule requirements, these options and any shares issued on exercise became escrowed until 7 December 2022, being 2 years after the date that Control Bionics Limited listed on the ASX.

On 18 December 2021, CEO Rob Wong entered into an arrangement with Control Bionics Limited to facilitate the exercising of the above 3,365,678 restricted employee options. These options were exercised on 23 December 2021 prior to expiry at \$0.21 per share, resulting in the total subscription amount outstanding of \$706,792. The subscription amount is to be paid on or before 7 March 2023 unless repaid prior to this date. Interest is to be accrued annually at the “benchmark interest rate” prescribed by the ATO from time to time in relation to fringe benefits tax.

Deposit paid on new lease arrangement

On 22 November 2021, Control Bionics Limited entered into a new lease agreement for the new Head Office premises in Camberwell, Victoria. As part of this agreement, the Group has paid a rental bond of \$56,186 which will be held for the duration of the lease agreement. Further details of the new lease arrangements are disclosed in note 4.

Note 6. Current liabilities – borrowings

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Bank of Queensland funding arrangement	<u>216,883</u>	<u>-</u>

Bank of Queensland funding arrangement

On 3 December 2021, Control Bionics Limited reactivated a funding arrangement with Bank of Queensland (‘BOQ’) whereby BOQ provide funding to allow Control Bionics Limited to renew its Directors’ and Officers’ insurance and its InfoTech liability insurance for the financial year.

Total secured liabilities

There are no secured liabilities (current and non-current) at the reporting date.

Assets pledged as security

There are no assets pledged as security across the group.

Note 7. Equity - issued capital

	Consolidated			
	31 Dec 2021	30 June 2021	31 Dec 2021	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>86,911,168</u>	<u>83,514,278</u>	<u>29,266,523</u>	<u>28,174,654</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	30 June 2021	83,514,278		28,174,654
Issue of shares – exercise of options	11 August 2021	31,212	\$0.45	14,045
Transfer of expense from share-based payment reserve	11 August 2021	-		35,333
Issue of shares – exercise of options	23 December 2021	3,365,678	\$0.21	706,792
Transfer of expense from share-based payment reserve	23 December 2021	<u>-</u>		<u>335,700</u>
Balance	31 December 2021	<u>86,911,168</u>		<u>29,266,524</u>

Note 8. Equity - reserves

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Share option reserve	362,856	687,369
Foreign currency translation reserve	<u>(23,918)</u>	<u>(66,103)</u>
	<u>338,937</u>	<u>621,266</u>

Share option reserve

The option reserve relates to share options granted by the Group to its employees under the arrangements disclosed in the 30 June 2021 Annual Report.

On 23 December 2021, Rob Wong, CEO, exercised 3,365,678 options as outlined in note 5. The exercise event has resulted in the historical cost of these options of \$335,700 being transferred from the Share Based Payment Reserve to Issued Capital. An additional \$35,332 of cost was also transferred due to other exercises in the period.

Foreign currency translation reserve

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

Control Bionics Limited
Notes to the financial statements
31 December 2021

Note 8. Equity – reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share Option \$	Foreign currency \$	Total \$
Balance at 30 June 2021	687,369	(66,103)	621,266
Share based payments	46,519	-	46,519
Exercise of options	(371,032)	-	(371,032)
Foreign currency translation	-	42,185	(65,746)
Balance at 31 December 2021	<u>362,856</u>	<u>(23,918)</u>	<u>338,938</u>

Note 9. Contingent liabilities

The group has no material contingent liabilities at 31 December 2021 (2020: nil).

Note 10. Related party transactions

Parent entity

Control Bionics Limited is the parent entity. Refer to the 2021 Annual Report for details of subsidiaries and key management personnel during the period.

Transactions with related parties

During the half year period, payments of \$304,155 were made for employment services to key management personnel of Control Bionics Limited and their related parties.

Amounts receivable from related parties

On 18 December 2021, CEO Rob Wong entered into a subscription agreement of \$706,792 with Control Bionics Limited to facilitate the exercising of restricted employee options. The subscription agreement requires payment of the amount outstanding on or before 7 March 2023 unless repaid prior to this date. Interest is to be accrued annually at the “benchmark interest rate” prescribed by the ATO from time to time in relation to fringe benefits tax. Further details are outlined in note 5.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Control Bionics Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Roger David Hawke
Chairman

23 February 2022
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Control Bionics Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Control Bionics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO


John Bresolin
Director

Sydney, 23 February 2022

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