Control Bionics Limited

ABN: 45 115 465 462

Annual Report

For the year ended 30 June 2023

TABLE OF CONTENTS

CORPORATE DIRECTORY

Directors as at the date of this report

Mr Roger David Hawke
Mr Peter Shann Ford
Mr Damian Lismore
Mr Jeremy Steele (Appointed 19 January 2023)
Prof Robert Heard (Appointed 4 May 2023)

Company Secretary

Mr Brett Crowley

Registered Office

Suite 5.01, 697 Bourke Road
Camberwell VIC 3124
Phone +61 3 9897 3576

Principal place of business

Suite 5.01, 697 Bourke Road
Camberwell VIC 3124
Phone +61 3 9897 3576

Share register

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000
Phone +61 2 9698 5414

Auditor

BDO Audit Pty Ltd
Collins Square | Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008

Stock exchange listing

Control Bionics Limited shares are listed on the Australian Securities Exchange (ASX:CBL)

Website
www.controlbionics.com

Corporate governance statement

https://controlbionics.com/wp-content/uploads/2021/03/201201-Corporate-Governance.pdf

CHAIRMAN'S MESSAGE

We are pleased to present Control Bionics' third Annual Report as a publicly listed company on the Australian Stock Exchange (ASX).

Control Bionics is at the forefront of technology-based solutions for the Assistive Technology (AT) sector with continued success of our range of communications solutions including the market leading NeuroNode and our flagship Trilogy system, plus the recent announcement of our DROVE autonomous wheelchair controller.

For those of us with the power of speech and mobility, it is often difficult to imagine the life changing impact that such technology can have on the substantial number of people in our communities who have an impairment due to disease, disability, or serious injury.

Our clients are the best ambassadors for our value proposition, and for example Glenn Sargood who has quadriplegia and loss of speech due to ALS/MND says: "*I went to my soccer presentation yesterday and I took my Trilogy with me and I had the best afternoon. I haven't seen many of these guys since before the pandemic so instead of being around my old friends and just smiling and nodding I was having great conversations and telling old stories. The guys couldn't stop raving about how good it was having a real chat and how easy it was for me to use. Please tell the team how happy I was and Rachel said it was nice to be out socially and not having to be an interpreter for me.*
Please share this message to any potential buyers in the future."

Control Bionics enables people like Glenn to rejoin their community with the benefit of technology which enable communications with family, friends, carers, employers, and the on-line world.

And our latest DROVE product, provides the opportunity for safe and autonomous movement indoors. "*Being able to move so the sun isn't in your eyes, leave a room on your terms or being able to greet someone at the door are things that most of us don't think twice about, but if you have to rely on someone else for them, having a device that gives you this control is amazing*".

We are incredibly proud of the caring team we have in place to develop and deliver these solutions and enhance the lives of so many people.

Our aim is to continue to deliver the most advanced assistive technology solutions to clients around the world, and be a compelling, leading, global player in AT markets while delivering growth to the company and its shareholders.

Assistive Technology solutions for the disability market are just the first stage for Control Bionics and we are in the process of adapting our core technology for other applications in new med-tech and consumer-oriented markets.

CHAIRMAN'S MESSAGE

(Continued)

2023 has been a pivotal year for the company as we leveraged the investments made in prior years to focus on sustainable growth. Revenue growth has increased from 13% yoy in FY22 to 25% yoy in FY23 with virtually no increase in our operating cost base, delivering significant improvements in our EBITDA and cashflow results. These outcomes were achieved by our dedicated team despite losing our long-term CEO Rob Wong to an ongoing medical condition. Growth further accelerated following the appointment of our new CEO Jeremy Steele. Jeremy has been instrumental in delivering improved financial results across the business, the development of an updated strategic plan, and forecast expectations for continued sales growth in FY24 and beyond.

During the year, our key areas of focus have been:

- Sustainable revenue growth delivering a positive EBITDA outcome for the Australian Operations and moving towards a positive EBITDA goal in North America;
- Leveraging and expanding our global distribution channels to grow sales in our key markets of Australia and North America;
- Delivering life-changing communications solutions to clients around the globe, using our unique, market leading NeuroNode technology;
- Launching our unique DROVE autonomous wheelchair controller which is currently undergoing regulatory testing ready for sales to commence in FY24;
- Modifying our product and distribution strategy in Japan to better meet market needs and deliver new growth opportunities in FY24; and
- Investing in new product development in both our primary disability focused markets and new med-tech and consumer focused markets.

We continue to see Japan as a key market for the company, however access post-COVID only opened in late 2022, and since that time we have been working with existing and new distribution channels to adapt our product and distribution strategy to better meet the market needs. The updated product suite includes a Japanese language version of our flagship Trilogy system and unbundled products including an updated NeuroNode to be sold separately for integration with other systems. Activation of the new direct channel and distribution of these new products commenced in late FY23 with sales expected in the first half of FY24.

In addition to the customisation of existing products for new geographic markets, we have also continued our development of new products for both disability related markets and broader med-tech and consumer markets.

Over the past year, we have:

- Focused on the further development of our software assets to enable the NeuroNode to be unbundled as a separate product for Japan and subsequently for other markets;
- Continued the miniaturisation of our core NeuroNode technology to deliver a lower cost, smaller and more flexible product for multiple applications across disability and other med-tech and consumer markets; and
- Reviewed a number of new opportunities in the med-tech sector leveraging the expertise of our newest independent non-executive Director Professor Robert Heard.

Control Bionics continues to focus on sustainable growth from our existing portfolio of market-leading, patented communications technology as we further target growth from existing markets in Australia and North America. Additional revenue growth is forecast to come from initial sales of the DROVE wheelchair controller and the product and channel changes we have recently made in Japan.

CHAIRMAN'S MESSAGE

(Continued)

We also continue to actively explore new products, new markets, new distribution channels and licensing/partnership opportunities to extend our portfolio and reach, and deliver more substantial revenue growth over the next few years.

Subsequent to the end of FY23, we closed a rights issue which raised over $1.1m and we thank our shareholders for their continued support. We also forecast a further $413k of cash to be received in October from our FY23 R&D tax offset. We will continue to carefully manage our balance sheet, and raise additional capital if required for operational needs or for targeted acquisitions that can accelerate our growth.

We look forward to enabling more life-changing connections for our clients, their families, friends, and support networks in the coming year.

Finally, on behalf of the Board, we congratulate and thank our dedicated and compassionate Control Bionics employees for their outstanding efforts and contributions this year.

Roger David Hawke, Chairman, 31 August 2023

DIRECTORS' REPORT

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 year ended 30 June 2023.

Directors

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

Mr Roger David Hawke, Chairman
Mr Robert William Wong (Resigned 19 January 2023)
Mr Peter Shann Ford
Mr Damian Lismore
Mr Lindsay John Phillips (Resigned 4 May 2023)
Mr Jeremy Steele (Appointed 19 January 2023)
Prof Robert Heard (Appointed 4 May 2023)

Principal activities

During the 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 and NeuroNode3. 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 year.

Dividends paid, recommended and declared

No dividends were paid during the financial year.

Results

The loss of the Group for the year after providing for income tax amounted to $5,631,141 (2022: $6,101,224).

DIRECTORS' REPORT

Review of operations

We are delighted to report another year of growth for Control Bionics. The quality of our solutions, combined with our skilled staff ensured that the business continued its revenue growth and importantly increased the number of customers who benefit from using our life changing Control Bionics Trilogy product line.

For the current financial year, the Group reported revenue of $6,114,112 (2022: $4,937,524) and a net loss after tax of $5,631,141 (2022: loss $6,101,224).

Key Highlights include:

- Revenue growth – the Group accelerated its growth in FY23, with revenue from operations growing an impressive 25%. To deliver this growth in a challenging macroeconomic environment is a testament to our team and the relevance our solutions have in the market.

- Cost control – critically important to the business is the ability to grow revenue significantly faster than the growth in costs. Operating costs in FY23 remained largely flat compared to FY22 which saw the business narrow its losses in FY23.

- North America – the first full year under the leadership of North America VP Todd Tyler delivered an outstanding result. Total income grew more than 30% to $4.9m while costs were held largely flat over FY22. Our strengthened billing team ensured we improved our collections, maximising the revenue from each individual sale.

- Australia – we increased resources into our Australian sales and support team in H2 FY23 which saw an almost immediate benefit, recording a record quarter for invoiced sales in Q4 FY23. We were able to reduce our costs in Australia in FY23 (over FY22), which meant our Australian operations were EBITDA positive for FY23 – an important milestone.

- Leadership – The appointment of Jeremy Steele as CEO and Professor Robert Heard as non-executive Director in H2FY23 have provided the Group with a strengthened leadership team. The Group provided shareholders with an update to the company's strategy, with a focus on delivering in our core markets, while ensuring we continue investing in our technology to deliver ongoing year on year sales growth.

- Research and development – The Group launched its autonomous wheelchair module DROVE in April, with significant interest from both the press and user groups. We made further advancements on the miniaturisation of the NeuroNode. We have also insourced two resources for our software development team, reducing the cost, time, and complexity of software development, and promptly released a new version of the iOS controller (for iPhone and iPad applications*) to be used in our updated Japan product strategy and subsequently in other markets.

** iOS, iPhone, and iPad are registered trademarks of Cisco Systems Inc and Apple Inc.*

DIRECTORS' REPORT

Review of operations (Continued)

- New markets – As part of the CEO's strategic review, we are actively pursuing new opportunities for revenue growth including a realignment of our strategy for Japan. In addition, we are unbundling the NeuroNode to all for 3rd party sales as well as assessing opportunities for the NeuroNode to be used in other clinical settings.

As at 30 June 2023, the Group had $935,503 of cash (which was subsequently bolstered by the $1.1m in capital raised in the rights issue in July 2023). Total net cash used in operations activities for the year was $4,527,388 (2022: $6,886,935), which was more than $2m improvement over the previous financial year. Increased sales and reduced expenditure facilitated the improved position. Customer cash receipts lifted to $6,017,727 (2022: - $4,464,435) as sales grew and collections improved.

Risk Management

Key Risks

The Company, through its Board and Management take a proactive approach to identifying and managing risk. The Board assumes responsibility for identifying risks and ensuring the management develop actions and activities to mitigate, manage and address these risks. Assessment of risk is made alongside consideration of opportunities to ensure a balanced view of business management. The Company has an Audit and Risk Committee (ARC) which is a committee of the Board established in accordance with the Company's constitution. As its role pertains to Risk management, the committee is responsible for:

a) preparing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
b) regularly reviewing and updating the risk profile;
c) ensuring that the Company has an effective risk management system;
d) assessing and ensuring that there are internal controls for determining and managing key risk areas, such as, for example:
    i. non-compliance with laws, regulations, standards, and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws (as relevant to the Company from time to time);
    ii. important judgements and accounting estimates;
    iii. business licence requirements;
    iv. litigation and claims;
    v. fraud and theft; and
    vi. relevant business risks not dealt with by other Board committees;
e) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
f) conducting investigations of breaches or potential breaches of any internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
g) evaluating the independence of external auditors;
h) examining and evaluating the effectiveness of the external auditors and making improvements;

DIRECTORS' REPORT

Risk Management (Continued)

Key Risks (Continued)

i) encouraging voluntary reporting by employees to the Committee of breaches of Company policies, and incidents within the risk areas above;
j) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk;
k) meeting periodically with key management, external auditors, and compliance staff to understand the Company's control environment;
l) overseeing the preparation of a summary of the main internal and external risk sources that could adversely affect the Company's prospects for future financial years, for inclusion in the operating and financial review section of the directors' report; and
m) ensuring that the Company has appropriate internal audit systems and controls in place.

The ARC meets regularly with management to monitor and manage risk and the material financial, operational, and strategic risks being actively managed by the company are set out below:

Financial Risks

Financing Risk

The business is currently not generating sufficient cash receipts to cover its costs. The Company recently closed a rights issue and continues to examine other capital raising options to ensure the business remains funded through to cashflow break even.

Fiduciary Risk

The risk of fraud/inappropriate conduct leading to significant loss and/or reputational damage is managed through a variety of means including a delegation matrix, dual sign-off, bank and system access and controls. We engage a third party to manage our cyber risk and the business undertakes an external audit of its financial statements.

Receivables Risk

Operating in the US health system is complex and comes with inherent risk around collectability of certain receivables. The Company mitigates this through a highly skilled team and close receivables management. Our years of experience and reputation, combined with pre-approvals before shipping ensure this risk is well managed.

DIRECTORS' REPORT

Risk Management (Continued)

Operational and Strategic Risks

Cyber Security Risk

The risk of a serious breach of our systems and customer information is mitigated through both internal and external control measures. These include outsourcing our systems and cyber risk to a specialised 3rd party, internal controls such as dual factor authentication for all bank payments and managing key company intellectual property on highly secure third-party systems. As at the date of this report, there have been no material cyber issues in the Company.

Supply Chain Risk

The Company is reliant on third parties to supply us with both completed and partially completed products for sale. We have dedicated resource to manage our suppliers and ensure that we mitigate the risks associated with reliance on these companies to have stock when we require it. We continually examine alternate suppliers. The Company experienced improved supply conditions during FY23 as constraints felt during COVID eased through the course of the year.

Intellectual Property Risk

The risk of Control Bionics' IP being lost, copied, or infringed by a third party is mitigated and managed through a combination of active surveillance, use of legal specialists, secure warehousing of key source code and the ownership of key patents.

Market Risk

Control Bionics currently operates in a niche part of the healthcare market. The business mitigates its reliance on Payor mix by ensuring strong relationships with those market participants. The Company is actively pursuing opportunities to diversify both its revenue and supply base to mitigate any potential risk in the future.

Staff Risk

As a small business Control Bionics is reliant on a limited number of people to ensure our successful growth. In addition, we operate in part of the health industry that supports individuals with complex medical issues that can be confronting at times. To mitigate these risks Control Bionics has reinvigorated its performance management process this year and put in place incentives to reward key staff. We have recently established an Employee Assistance Program to provide staff with access to third party assistance and counselling

DIRECTORS' REPORT

Significant changes in state of affairs

Other than the developments reported elsewhere in this report, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2023.

Matters subsequent to the end of the financial year

On 28 July 2023, Control Bionics Limited concluded a Rights Issue to eligible shareholders. The issue raised gross funds of $1,133,342 and resulted in the issue of 11,929,890 fully Paid Shares.

On 10 August 2023, the Nomination and Remuneration Committee granted 1,040,248 options under the Employee Options Scheme at a strike price of $0.095 per share, vesting over 5 years in 4 equal tranches of 260,062 options each in years 2 to 5.

There are no other matters subsequent to the end of the financial year to report.

Likely developments and expected results of operations

Control Bionics Limited will continue to introduce new commercial models to grow organically and commercialise new technologies that are consistent with the company's vision.

Environmental regulation

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

DIRECTORS' REPORT

Information on directors as at 30 June 2023

Mr Roger David Hawke	Non-Executive Director and Chairman
Qualifications	BEng, MES, MBA, MAICD
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Chairman of the Nomination & Remuneration Committee
Interest in shares and options	1,008,478 ordinary shares
Interests in options	None
Contractual rights to shares	None

Experience and expertise

Roger has over 35 years of experience in the telecommunications and technology space, having retired after 8 years as CEO & Managing Director of Crown Castle Australia/Axicom, and brings a high level of experience particularly in Technology, Operations, Sales, and Management.

Mr Peter Shann Ford	Executive Director (to 15 August 2023, on which date he transferred to Non-Executive Director)
Qualifications	Graduate 1OTU Officer Training Unit, 2nd Lieutenant, Australian Army, with 3RAR
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	None
Interest in shares	19,623,433 ordinary shares
Interests in options	None
Contractual rights to shares	None

Experience

Peter is the Founder and Non-Executive Director of Control Bionics Limited. He is a Graduate of 10TU Officer Training Unit, and completed National Service as a 2nd Lieutenant in the Australian Army with 3RAR, before moving to the USA.

After spending three years as a founding programmer at the US Veterans Administration Medical Center Rehabilitation R& D Laboratory in Atlanta - one of the first of its kind in the USA - while a news anchor at CNN and CNN2, Peter began consulting to therapists and disability clients in innovative Assistive Technology, including bionics and robotics.

He was inspired by the potential to help free one of the world's great minds, Professor Stephen Hawking. In 2000, Peter identified that a patient's disabled muscles still emitted small electrical signals that could be used to reliably control basic computer functions. He wrote computer code to develop this, inventing and patenting NeuroSwitch and demonstrated it to Prof. Hawking in Cambridge. From 2002-2007 he Beta- tested evolving prototypes of his coding with Prof. Hawking at Texas A&M University and Cambridge University, and with doctors and their patients and clients in the USA, Australia, and New Zealand. In 2005, with an initial investment from Phoenix Development Fund in Australia, Control Bionics was born.

DIRECTORS' REPORT

Information on directors (Continued)

Mr Damian Lismore	Non-Executive Director
Qualifications	BA (Hons), GAICD, CAANZ, FCA (Ireland)
Other current directorships	Non-Executive Director of LBT Innovations Limited (ASX:LBT).
Former directorships (last 3 years)	None
Special responsibilities	Chairman of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	155,000 ordinary shares
Interests in options	None
Contractual rights to shares	None

Experience

Damian has held a number of directorships and has extensive commercial, international, and listed company experience (both ASX and NASDAQ), covering many industries including healthcare and technology. In his executive career, he held CEO, CFO and Company Secretarial roles and continues to act as an advisor to CEOs, boards, and business owners. Damian joined the Control Bionics Board in September 2020. Damian is currently CFO of Scout Bio Inc, a Frazier Healthcare Partners backed company.

Mr Jeremy Steele	Executive Director and Chief Executive Officer (Appointed 19 January 2023)
Qualifications	BCom, ASIA, AICD, FGLF
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	None
Interest in shares	454,545 ordinary shares
Interests in options	2,000,000
Contractual rights to shares	None

Experience

Jeremy Steele has more than 25 years of global corporate experience. His expertise crosses many industries relevant to his role at Control Bionics, including 10 years in the healthcare industry. Jeremy has held a wide range of senior positions and prior to joining Control Bionics he was Chief Executive of CardioScan, a leading global provider of outsourced Cardiac Diagnostics. CardioScan operates in 10 countries and Jeremy led the business through its international growth, taking the business from its base in Australia to operations across the world. Jeremy has invested in and worked with many businesses across his career including Aesop and FastTrack – both internationally successful. Jeremy has significant experience across the business spectrum including digital transformation, building high growth businesses, financial management, analysis, and reporting.

DIRECTORS' REPORT

Information on directors (Continued)

Professor Robert Heard	Non-Executive Director (Appointed 4 May 2023)
Qualifications	BSc (Hons), MD, FRCP, FRACP
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	272,270 ordinary shares
Interests in options	None
Contractual rights to shares	None

Experience

Rob is a clinical and academic neurologist. He is currently Conjoint Professor of Neurology at Newcastle University. He has had a long research career and has made major contributions in the field of multiple sclerosis. He is an active investor in biotechnology and pharmaceutical sectors. Rob has been a key contributor to our efforts to deliver new products for the med-tech sector. This is his first directorship.

Mr Robert William Wong	Executive Director (Resigned 19 January 2023)
Qualifications	BB (MK), MBA
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	None
Interest in shares	5,906,294 ordinary shares at resignation
Interests in options	None
Contractual rights to shares	None

Experience and expertise

Robert Wong was the Chief Executive Officer for Control Bionics from early 2017 until his resignation. He holds a Bachelor of Business and an MBA from Melbourne University. Rob has over 25 years of experience with multinational businesses in senior management, marketing, and operational roles. He is also an entrepreneur and angel investor having been involved with several successful technology start-up businesses. He formerly held the position of CEO at AIMIA Digital Industry Association of Australia.

Mr Lindsay John Phillips	Non-Executive Director (Resigned 4 May 2023)
Qualifications	B.Com, CAANZ
Other current directorships	Enprise Group Limited (NZX – ENS) Mayfield Group Holdings Limited (ASX –MYG)
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	18,862,129 ordinary shares at resignation
Interests in options	None
Contractual rights to shares	None

Experience

Lindsay is a highly experienced private equity fund Managing Director and Chairman. Lindsay first invested in Control Bionics in 2005. Lindsay was Managing Director of Lazard Australia Private Equity from 2007 to 2012. Since 2012 Lindsay has been Chairman of Phoenix Development Fund and Nightingale Partners. He holds a Bachelor of Commerce from the University of Western Australia and is a member of the Institute of Chartered Accountants of Australia.

DIRECTORS' REPORT

Company Secretary

Mr Brett Crowley has held the role of Company Secretary since September 2020. Brett is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong. He is a former Senior Legal Member of the NSW Guardianship Tribunal and the NSW Civil and Administrative Tribunal. Brett has extensive ASX-listed company experience. He is currently chairman of Jatcorp Limited (ASX:JAT) and company secretary of three other ASX-listed companies.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

Directors	Directors' meetings		Audit & Risk committee meetings		Nomination & Remuneration committee meetings	
	Attended	Held	Attended	Held	Attended	Held
Mr Roger David Hawke	12	12	6	6	2	2
Mr Robert William Wong	7	7	-	-	-	-
Mr Peter Shann Ford	11	12	-	-	-	-
Mr Damian Lismore	12	12	6	6	2	2
Mr Lindsay John Phillips	10	10	6	6	1	1
Mr Jeremy Steele	6	6	-	-	-	-
Prof Robert Heard	2	2	-	-	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

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

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Principles used to determine the nature and amount of remuneration

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

- Executive rewards are competitive in the markets in which Control Bionics operates;
- Executive remuneration has an appropriate balance of fixed and at-risk reward;
- Remuneration is linked to Control Bionics' performance and the creation of shareholder value;
- Executive remuneration is fair and appropriate, having regard to the performance of the Group and the relevant executive; and
- Remuneration outcomes comply with relevant legal requirements.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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

- having sustainable revenue growth as a core component of plan design;
- focusing on sustained growth in the business in both existing and new markets likely to create increased shareholder wealth, as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

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

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

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

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. As disclosed in the Corporate Governance Statement, initially, and until a different amount is determined, the Board has determined that the maximum aggregate non-executive directors' remuneration is $400,000 per annum.

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay, consulting fees and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave and medical insurance in some markets.

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

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, is reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

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

The long-term incentives ('LTI') include long service leave and share-based payments. Share-based incentives issued to executives in the 2023 financial year are set out in Note 31.

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group and measures that are linked to growth in earnings and shareholder wealth. Cash bonus and incentive payments are dependent on defined financial, operational, and personal performance targets (KPIs) being met. Some adjustments to cash bonuses and incentive payments may be made at the discretion of the Board.

Measures for the 2023 financial year included: Revenue, EBITDA, Net Profit or Loss after income tax, available cash, and year end share price.

In addition to the financial metrics, the Board also considers the achievement of non-financial milestones or KPIs. For the year ended 30 June 2023, the following milestones were assessed as part of the Executive performance KPIs:

- Successful opening of new channels to market and specifier relationships in existing markets, and progress with new distribution arrangements in other international markets, grow a sustainable business in Japan; and
- Continued product development to expand the range and relevance of the product portfolio for both existing and new markets.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables. The key management personnel of the Group consisted of the following directors of Control Bionics Limited:

- Mr Roger David Hawke - Chairman
- Mr Robert William Wong - Executive Director, Chief Executive Officer (Resigned 19 January 2023)
- Mr Peter Shann Ford - Executive Director
- Mr Damian Lismore - Non-Executive Director
- Mr Lindsay John Phillips - Non-Executive Director (Resigned 4 May 2023)
- Mr Jeremy Steele – Executive Director, Chief Executive Officer (Appointed 19 January 2023)
- Prof Robert Heard – Non-Executive Director (Appointed 4 May 2023)

And the following persons:

- Mr Todd Tyler - US Country Manager (Appointed 8 September 2021)
- Mr Neale Java - Chief Financial Officer (Appointed 8 February 2021, Resigned 10 June 2022)
- Mr Dominik Kucera – Interim Chief Financial Officer (Appointed 19 July 2022)

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

	Short-term benefits		Post employment benefits	Long term benefits	Share based payments	
	Cash salary and fees	**Cash bonus**	**Super-annuation**	**Long service leave**	**Equity settled options**	**Total**
2023	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors						
Mr Roger David Hawke	68,181	-	7,159	-	-	75,340
Mr Damian Lismore	47,000	-	-	-	-	47,000
Mr Lindsay John Phillips[1]	35,606	-	3,739	-	-	39,345
Prof Robert Heard[2]	7,088	-	744	-	-	7,832
Executive Directors						
Mr Robert William Wong[3]	246,707	-	18,686	(21,279)	-	244,114
Mr Peter Shann Ford	192,220	-	20,183	3,346	-	215,749
Mr Jeremy Steele[4]	146,667	37,240	-	-	22,758	206,665
Other Key Management Personnel						
Mr Todd Tyler	267,300	40,094	-	-	7,451	314,845
Mr Dominik Kucera[5]	168,300	-	-	-	-	168,300
	1,179,069	**77,334**	**50,511**	**(17,933)**	**30,209**	**1,319,190**
2022	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors						
Mr Roger David Hawke	68,182	-	7,318	-	-	75,500
Mr Damian Lismore	47,000	-	-	-	-	47,000
Mr Lindsay John Phillips	42,727	-	4,573	-	-	47,300
Executive Directors						
Mr Robert William Wong	236,718	-	23,282	5,535	-	265,535
Mr Peter Shann Ford	163,654	-	16,365	15,497	-	195,516
Other Key Management Personnel						
Mr Neale Java[6]	180,712	-	19,093	-	-	199,805
Mr Todd Tyler[7]	240,246	-	-	-	-	240,246
	979,239	**-**	**70,631**	**21,032**	**-**	**1,070,902**

[1] *Represents remuneration from 1 July 2022 to 4 May 2023*

[2] *Represents remuneration from 4 May 2023*

[3] *Represents remuneration from 1 July 2022 to both 19 January 2023 as executive director and to 31 March 2023 as employee*

[4] *Represents remuneration from 19 January 2023*

[5] *Represents remuneration from 19 July 2022*

[6] *Represents remuneration from 1 July 2021 to 10 June 2022*

[7] *Represents remuneration from 8 September 2021 to 30 June 2022*

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Details of remuneration (Continued)

There were benefits or remuneration paid or accrued during the financial year or the comparative prior year for;

- Non-monetary short-term benefits,
- Equity settled shares as share-based payments, and
- Equity settled options as share-based payments.

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

	Fixed Remuneration		**At risk - STI**		**At risk LTI**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Non-Executive Directors						
Mr Roger David Hawke	100%	100%	0%	0%	0%	0%
Mr Damian Lismore	100%	100%	0%	0%	0%	0%
Mr Lindsay John Phillips	100%	100%	0%	0%	0%	0%
Prof Robert Heard	100%	n/a	0%	n/a	0%	n/a
Executive Directors						
Mr Robert William Wong	100%	100%	0%	0%	0%	0%
Mr Peter Shann Ford	100%	100%	0%	0%	0%	0%
Mr Jeremy Steele	71%	n/a	18%	n/a	11%	n/a
Other Key Management Personnel						
Mr Neale Java	n/a	100%	n/a	0%	n/a	0%
Mr Todd Tyler	85%	100%	13%	0%	2%	0%
Mr Dominik Kucera	100%	n/a	n/a	n/a	n/a	n/a

Cash bonuses are dependent on meeting defined performance measures.

The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Group performance and link to remuneration'.

The maximum bonus values are established at the start of each financial year and amounts payable are determined at the end of the financial year by the Nomination and Remuneration Committee.

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Details of remuneration (Continued)

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

	Cash bonus paid/payable		Cash Bonus forfeited	
	2023	**2022**	**2023**	**2022**
Executive Directors				
Mr Robert William Wong	0%	0%	0%	0%
Mr Peter Shann Ford	0%	0%	0%	0%
Mr Jeremy Steele	50%	n/a	50%	n/a
Other Key Management Personnel				
Mr Neale Java	n/a	0%	n/a	100%
Mr Todd Tyler	50%	0%	50%	100%
Mr Dominik Kucera	n/a	n/a	n/a	n/a

Service agreements

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

Name: Mr Robert William Wong

Title:	Chief Executive Officer
Agreement commenced	Current agreement commenced 16 October 2020
Term of agreement	Ceased 19 January 2023
Details	Total Fixed Remuneration (pro rata) for the year ending 30 June 2023 of $275,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 50% of Fixed Remuneration as per Nomination and Remuneration Committee approval and KPI achievement. There is a 6-month termination notice by either party and standard, non-solicitation and non-compete clauses.

Name: Mr Peter Shann Ford

Title:	Non-Executive Director
Agreement commenced	Current agreement commenced 12 October 2020
Term of agreement	Transferred to Non-Executive Director on 15 August 2023
Details	Total Fixed Remuneration for the year ending 30 June 2023 of $190,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement. There is a 6-month termination notice by either party and standard non-solicitation and non-compete clauses.

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Service agreements (Continued)

Name: Mr Jeremy Steele

Title:	Chief Executive Officer
Agreement commenced	19 January 2023
Term of agreement	Ongoing
Details	Total Fixed Remuneration (pro rata) for the year ending 30 June 2023 of $325,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 50% of Fixed Remuneration as per Nomination and Remuneration Committee approval and KPI achievement. A sign-on LTI award of 2,000,000 options have been granted. There is an ability to participate in employee share options as set out in note 31 of this report. There is a 6-month termination notice by either party and standard, non-solicitation and non-compete clauses.

Name: Mr Todd Tyler

Title:	US Country Manager
Agreement commenced	8 September 2021
Term of agreement	Ongoing
Details	Total Fixed Remuneration comprising base salary of US$185,400 for the year ending 30 June 2023 including superannuation plus US$5,400 medical benefits, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 30% as per Nomination and Remuneration Committee approval and KPI achievement and a sign on LTI award of up to 30% of base salary. There is an ability to participate in employee share options as set out in note 31 of this report. There is a 15-day termination notice by the employee or immediate termination right by the company, and standard non-solicitation and non-compete clauses.

Name: Mr Dominik Kucera

Title:	Interim Chief Financial Officer
Agreement commenced	19 July 2022
Term of agreement	Ongoing
Details	Total Fixed Remuneration (pro rata) for the year ending 30 June 2023 comprising base fee of $1,200 per day plus GST. There is a 3-month termination notice by either party and standard non-solicitation and non-compete clauses.

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

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Share-based compensation

Issue of shares

No shares were issued to directors or other key management personnel as part of compensation during the year ended 30 June 2023.

Options

Mr Peter Shann Ford exercised his 3,567,860 options, before their expiry, on 25 July 2022.

Mr Todd Tyler was granted 365,636 options, to expire on 8 September 2027 with an exercise price of $0.22.

Mr Jeremy Steele was granted 2,000,000 CEO options as a sign-on condition, to expire on 19 January 2028 and with an exercise price of $0.165.

Terms and conditions of the above options are explained in note 31 to this report.

No other options were granted, exercised, or lapsed for directors and other key management personnel during the year ended 30 June 2023.

Additional information

The parent entity was admitted to the ASX in 2020. The key financial metrics of the Group for the three published financial years from admittance to 30 June 2023 are summarised below:

	2023	**2022**	**2021**
	$	**$**	**$**
Sales revenue (including rental and trials)	5,642,386	4,501,890	3,792,119
EBITDA	(4,737,231)	(5,577,450)	(3,320,674)
Loss after income tax	(5,631,141)	(6,101,224)	(3,550,826)
Available cash	935,503	5,214,003	12,331,109
Share price at financial year end ($)	$0.087	$0.225	$0.695

DIRECTORS' REPORT

Remuneration report (audited) (Continued)

Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposal/ other	Balance on resignation	Balance at the end of the year
Ordinary shares					
Mr Roger David Hawke	758,478	250,000	-	-	1,008,478
Mr Robert William Wong	5,906,294	-	-	(5,906,294)	-
Mr Peter Shann Ford	21,258,313	3,567,860	(5,202,740)	-	19,623,433
Mr Damian Lismore	55,000	100,000	-	-	155,000
Mr Lindsay John Phillips	18,862,129	5,202,740	-	(24,064,869)	-
Mr Jeremy Steele	-	454,545	-	-	454,545
Prof Robert Heard	-	272,270	-	-	272,270
	46,840,214	9,847,415	(5,202,740)	(29,971,163)	21,513,726

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Option holdings

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr Peter Shann Ford	3,567,860	-	(3,567,860)	-	-
Mr Todd Tyler	-	365,636	-	-	365,636
Mr Jeremy Steele	-	2,000,000	-	-	2,000,000
	3,567,860	2,365,636	(3,567,860)	-	2,365,636

Other transactions with key management personnel and their related parties

During the financial year, payments for employment in the normal course of business were made to close family members of Mr Robert Wong of $96,646. There is no other amount owing to these related parties at 30 June 2023. All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

Options

Shares under option

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

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
13/02/2020	749,202	$0.45	13/02/2025
8/09/2022	365,636	$0.22	13/09/2027
19/01/2023	2,000,000	$0.165	19/01/2028

Shares issued on exercise of options

The following ordinary shares of Control Bionics Limited were issued during or since the end of the financial year as a result of the exercise of an option:

Date options granted	Number of issued ordinary shares	Exercise price of options
28/06/2017	3,567,860	$0.21

Indemnification of officers

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

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

Indemnification of auditors

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.
During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Company

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

DIRECTORS' REPORT

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

Officers of the Group who are former partners of BDO Audit Pty Ltd

There are no officers of the Group who are former partners of BDO Audit Pty Ltd.

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.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the Board of Directors

Chairman: ______________________
Mr Roger David Hawke
Dated this 31st day of August 2023

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DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON TO THE DIRECTORS OF CONTROL BIONICS LIMITED

As lead auditor of Control Bionics Limited for the year ended 30 June 2023, 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 Limited and the entities it controlled during the period.

Katherine Robertson

Katherine Robertson
Director

BDO Audit Pty Ltd

Melbourne, 31 August 2023

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 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, 697 Bourke Road
Camberwell VIC 3124
Australia

Principal place of business
Suite 5.01, 697 Bourke Road
Camberwell VIC 3124
Australia

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 31 August 2023. The directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Revenue	4	5,642,386	4,501,890
Other income	5	471,726	435,634
		6,114,112	**4,937,524**
Less: expenses			
Raw materials and consumables used		(1,930,791)	(1,994,995)
Bad debt expense		(237,202)	(80,806)
Employee benefits expense		(5,292,339)	(4,912,721)
Depreciation and amortisation expense	6	(480,450)	(507,850)
Marketing and promotion		(616,560)	(721,443)
Research & development costs	6	(230,985)	(321,689)
Legal fees, patents, and insurance		(368,516)	(369,333)
Corporate travel		(429,839)	(411,305)
Professional fees		(570,440)	(353,054)
IPO costs		-	(33,750)
Foreign exchange (loss)/gain	6	(2,763)	29,173
Finance costs	6	(21,332)	(10,724)
General and administrative expense		(1,171,908)	(1,350,251)
Impairment of receivables re former CEO options		(392,128)	-
		(11,745,253)	**(11,038,748)**
Loss before income tax expense		(5,631,141)	(6,101,224)
Income tax expense	7	-	-
Loss after income tax expense for the year		**(5,631,141)**	**(6,101,224)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		66,568	89,508
Other comprehensive income for the year		**66,568**	**89,508**
Total comprehensive loss		**(5,564,573)**	**(6,011,716)**
		Cents	**Cents**
Basic earnings per share	30	(6.24)	(7.15)
Diluted earnings per share	30	(6.24)	(7.15)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 $	2022 $
Current assets			
Cash and cash equivalents	8	935,503	5,214,003
Trade and other receivables	9	1,776,753	1,541,425
Inventories	10	801,905	923,963
Other assets	11	355,218	929,932
Total current assets		**3,869,379**	**8,609,323**
Non-current assets			
Property, plant and equipment	12	596,852	501,457
Intangible assets	13	4,106,637	4,073,010
Right of use assets	14(a)	123,359	232,443
Other non-current assets	11	-	19,897
Total non-current assets		**4,826,848**	**4,826,807**
Total assets		**8,696,227**	**13,436,130**
Current liabilities			
Trade and other payables	15	1,170,069	854,224
Lease liabilities	14(b)	128,503	112,050
Borrowings	16	-	48,196
Employee benefits	17	234,392	346,611
Total current liabilities		**1,532,964**	**1,361,081**
Non-current liabilities			
Lease liabilities	14(b)	-	124,578
Employee benefits	17	15,610	26,738
Total non-current liabilities		**15,610**	**151,316**
Total liabilities		**1,548,574**	**1,512,397**
Net assets		**7,147,653**	**11,923,733**
Equity			
Issued capital	18	30,241,659	29,266,524
Reserves	19	271,371	391,445
Accumulated losses		(23,365,377)	(17,734,236)
Total equity		**7,147,653**	**11,923,733**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Issued Capital	Accum -ulated 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 for the year	-	(6,101,224)	-	-	**(6,101,224)**
Other comprehensive income for the year	-	-	89,508	-	**89,508**
Total comprehensive income for the year	**-**	**(6,101,224)**	**89,508**	**-**	**(6,011,716)**
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	51,703	**51,703**
Shares issued during the period, net of transaction costs	720,838	-	-	-	**720,838**
Exercise of options	371,032	-	-	(371,032)	**-**
Balance as at 30 June 2022	**29,266,524**	**(17,734,236)**	**23,405**	**368,040**	**11,923,733**
Balance at 1 July 2022	29,266,524	(17,734,236)	23,405	368,040	**11,923,733**
Loss for the year	-	(5,631,141)	-	-	**(5,631,141)**
Other comprehensive income for the year	-	-	66,568	-	**66,568**
Total comprehensive income for the year	**-**	**(5,631,141)**	**66,568**	**-**	**(5,564,573)**
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	39,243	**39,243**
Shares issued during the period, net of transaction costs	749,250	-	-	-	**749,250**
Exercise of options	225,885	-	-	(225,885)	**-**
Balance as at 30 June 2023	**30,241,659**	**(23,365,377)**	**89,973**	**181,398**	**7,147,653**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,017,727	4,464,435
Receipts from governments grants		282,199	255,186
Payments to suppliers and employees (inclusive of GST)		(10,826,123)	(11,564,889)
Interest received		20,141	1,327
Interest paid and other Finance costs paid		(21,332)	(42,994)
Net cash used in operating activities	**29(a)**	**(4,527,388)**	**(6,886,935)**
Cash flows from investing activities			
Payments for intangible asset		(37,420)	-
Payments for property, plant and equipment		(420,121)	(147,743)
Net cash used in investing activities		**(457,541)**	**(147,743)**
Cash flows from financing activities			
Proceeds from the issue of shares		749,250	14,045
Proceeds from borrowings		-	241,021
Proceeds from sale of shares	11	113,500	-
Repayment of borrowings		(48,196)	(192,825)
Lease payments		(108,125)	(93,380)
Guarantee paid on new lease arrangements		-	(56,186)
Net cash generated by / (used in) financing activities		**706,429**	**(87,325)**
Reconciliation of cash			
Net (decrease) / increase in cash and cash equivalents		**(4,278,500)**	**(7,122,003)**
Cash and cash equivalents at the beginning of the financial year		5,214,003	12,331,109
Effects of exchange rate changes on cash and cash equivalents		-	4,897
Cash and cash equivalents at the end of the financial year		**935,503**	**5,214,003**

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

The 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 Control Bionics Limited and its subsidiaries ("Group"):

(a) Basis of preparation of the financial report

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

Historical Cost Convention

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

Critical accounting estimates

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

Comparative figures

Comparatives have been reclassified as to be consistent with the presentation in the current year.

(b) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Control Bionics Limited ("Company" or "Parent Entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. Control Bionics Limited and its subsidiaries together are referred to in these financial statements as the Group.

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

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

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities, and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Going concern basis of Accounting

The Group's financial statements have been prepared on the basis of continuity of operations, the realisation of assets and the satisfaction of liabilities in the ordinary course of business. As disclosed in the financial statements, the Group has incurred a net loss after taxes of $5,631,141 and had net cash outflows from operating activities of $4,527,388 for the year ended 30 June 2023.

The future viability of the Group is largely dependent on the number and timing of sales, and on its ability to raise capital to finance its operations. The Group's level of sales in FY2024 and ability to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies. If adequate funds are not available to the Group, the Group may be required to delay, reduce, or eliminate research and development programs, reduce costs, or eliminate commercialisation efforts, cease operations, raise new equity, or pursue merger or acquisition strategies.

The Group has prepared a cash flow forecast supported by detailed assumptions and scenario planning directed to sustaining business growth. These forecasts indicate that the Group will require additional finance to fund its ongoing operations for a period of 12 months from the date the financial report was authorised for issue.

The Group had cash on hand balances available as at 30 June 2023 of $935,503, raised $1,133,342 through a Rights Issue in July 2023, a growing monthly balance of contracted products and services (at 30 June 2023 approximately $250,000), an expanding sales pipeline and is expecting a Research and Development Tax Incentive rebate in excess of $400,000 in 1H24.

The Group has the capacity for further supplemental capital raises with the remaining authorised shares from the recent Rights Issue, as well as tapping into their 10% placement capacity to raise additional funds within FY24.

The potential requirement to raise additional finance or equity to fund operations creates a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, the directors are confident the Group will raise additional equity to fund operations and implement other risk mitigating factors disclosed above.

The financial statements do not reflect the situation should the Group be unable to continue as a going concern. If the going concern assumption is not valid, the consequence is the Group may be unable to realise the value of its assets including its intangible assets and discharge its liabilities in the ordinary course of business.

The Group believes that it has sufficient liquidity and options available to prepare the financial statements on a going concern basis at this time.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(f) Foreign currency translation

The financial statements are presented in Australian dollars, which is the parent entity’s functional and presentation currency.

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; 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.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using the 'expected value' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

The primary performance obligation identified by the Group is the delivery of goods.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rental

Revenue from rental of goods is recognised over the period of the rental arrangement.

Technical support and product trials

Revenue from technical support and product trials is recognised over the period of the trial or support arrangement. Technical support is provided for 12 months from purchase and recognition of revenue is weighted towards the earlier months in line with when support services are utilised. Product trials vary in length dependent on the needs of the customer and the requirements of the jurisdiction in which the customer resides.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition (Continued)

Interest

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

Research and Development tax offset

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 Group fulfilling its requirement to lodge a company tax return for the relevant year.

Other revenue

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

(h) Government grants

Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants have been presented on a gross basis in the consolidated statement of profit or loss and other comprehensive income.

(i) Income tax

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

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 by the end of the reporting period.

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.

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax (Continued)

taxable profits available to recover the asset.

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

Control Bionics Limited and its 100% owned Australian resident subsidiaries formed a tax Consolidated Group with effect from 1 December 2005. Control Bionics Limited 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.

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

(j) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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

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

(k) Cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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. Terms for trade receivables in the ordinary course of business require settlement within 30 to 90 days, however terms for specialised "Insurance" sales in the United States may require extension of up to 180 days.

The 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.

(m) Inventories

Inventories represent:

- Finished goods for sale
- Finished goods under construction
- Elements of finished goods held for future production
- Spare parts for finished goods that have previously been sold

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 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.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The 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 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (Continued)

Impairment of financial assets (continued)

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.

(o) Property, plant and 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 and equipment at cost	2-7 years
Trade and demonstration equipment	2-7 years

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

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

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

(p) Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Right-of-use-assets (continued)

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(q) Intangible assets

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

Patents and trademarks

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

Amortisation is calculated on a straight-line basis to write off the net cost of each patent and trademark over their expected useful lives as follows:

Patents and trademarks	1-8 years

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 Group to develop the proprietary assistive technology used in its business.

The majority of the intellectual property owned by the Group is represented by technical know-how which is an integral part of the product produced. Without this technical know-how, the Group would be unable to produce and market its product. For as long as the 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of non-financial assets

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

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

(s) Trade and other payables

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

(t) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

(u) Borrowing

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

(v) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Lease liabilities (Continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(w) Finance costs

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

(x) Provisions

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

(y) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with

terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Employee benefits (Continued)

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Fair value measurement

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

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

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

(aa) Issued capital

Ordinary shares are classified as equity.

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

(ab) Dividends

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

(ac) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or (loss) attributable to the owners of Control Bionics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Goods and services tax ('GST') and other similar taxes

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

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

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

(ae) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Share-based payment transactions

The 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Determination of variable consideration for revenue recognition

Judgement is exercised in estimating variable consideration, which is determined using the expected value method, accounting for the amount that the Group expects to be entitled to under the contract. The variable consideration is estimated by management with regard to past experience and historical trends in relation to receipts from insurance customers in North America. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Intellectual property and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether intellectual property and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of intangible assets have been determined based on their 'fair value less cost of disposal' 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 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.

Should this estimate be incorrect an adjustment is made to the following accounting period in respect of Other Income.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: 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 operating segments applicable to the sale of assistive communications technology systems within the disability sector. The reported loss for the combined segments within the sector before income tax is $5,631,141 for the financial period (2022: $6,101,224 loss).

The sector currently has two functioning operations in two geographical locations: Australia and North America, market exploration in alternate geographical locations, a substantial corporate function in addition to a substantial Research and Development program. 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/or services of each of the geographical locations within the operating segment are as follows:

Australia (Aust)	Sales of Trilogy units and components in Australia
Nth America (US)	Manufacture and sales of Trilogy units and components in North America
International (I'natl)	Activities undertaken to establish viable and additional operating segments
R&D (R&D)	Research activities undertaken in regards to the Group's products
Corporate (Corp)	The provision of support, regulatory and infrastructure activities, and elimination entries <u>above</u> the EBITDA line

	Aust *	**US ***	**I'natl**	**R&D**	**Corp**	**Total**
2023	**$**	**$**	**$**	**$**	**$**	**$**
Income	1,226,497	4,888,363	14,460	412,807	(428,015)	**6,114,112**
Expenses	(1,215,712)	(7,648,463)	(239,605)	(1,181,618)	(565,945)	**(10,851,343)**
EBITDA	10,785	(2,760,100)	(225,145)	(768,811)	(993,960)	**(4,737,231)**
2022						
Income	1,133,533	3,728,825	-	307,732	(232,566)	**4,937,524**
Expenses	(1,613,713)	(7,455,423)	(176,394)	(814,338)	(460,306)	**(10,520,174)**
EBITDA	(480,180)	(3,726,598)	(176,394)	(506,606)	(692,872)	**(5,582,650)**

** Eliminations of intercompany income and expenses are carried within the Corp segment*

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: OPERATING SEGMENTS – ALTERNATE NOTE FOR CONSIDERATION (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 4: REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	**2022**
	$	**$**
Sale of goods	5,336,899	4,366,472
Technical trials and support	98,292	39,425
	5,435,191	**4,405,897**
Lease of goods (rental)	207,195	95,993
	5,642,386	**4,501,890**

Disaggregation of revenue

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

Timing of revenue recognition (Australia)		
Goods transferred at a point in time	921,565	955,650
Services transferred over time	304,599	135,418
	1,226,164	**1,091,068**
Timing of revenue recognition (North America)		
Goods transferred at a point in time	4,415,334	3,410,822
Services transferred over time	888	-
	4,416,222	**3,410,822**
	5,642,386	**4,501,890**

The revenues referred to above are net of intercompany eliminations

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 5: OTHER INCOME

	2023 $	2022 $
Interest income	20,141	1,327
Other income	38,778	6,922
Donations and grants	-	88,929
Research & development tax offset	412,807	338,456
	471,726	**435,634**

Government grants in relation to COVID-19

Australian Government Jobkeeper subsidy – No Jobkeeper subsidy from the Australian government was available for the Australian entities with the Group during the reporting financial period (30 June 2022: $88,929).

NOTE 6: EXPENSES

Losses before income tax includes the following specific expenses:

	2023 $	2022 $
Depreciation		
- Plant and equipment	360,136	398,335
- Right-of-use-assets	115,422	90,744
Total depreciation	**475,558**	**489,079**
Amortisation		
- Intangible assets	4,892	18,771
Total depreciation and amortisation	**480,450**	**507,850**
Finance costs		
Lease liabilities - finance charges	9,022	8,726
Interest	12,310	1,998
Total finance costs	**21,332**	**10,724**
Net foreign exchange (gain)	2,763	(29,173)
Employee benefits:		
- Share based payments	27,206	51,703
- Contributions to defined contribution pension funds	191,623	202,587
Research and development costs	230,985	321,689

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	$	$

NOTE 7: INCOME TAX EXPENSE

The income tax expense for the year comprises current income tax expense and deferred tax expense. The current income tax expense for the year ended 30 June 2023 is nil (30 June 2022: nil).

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

A deferred tax asset (potential tax benefit) has not been recognised in the consolidated statement of financial position as the recovery of this benefit is uncertain. The Group has committed to invest in operational infrastructure (including sales staff) to grow sales. Until the success of that strategy is clear, directors have adopted a prudent approach to not recognise deferred tax assets this financial year.

The unused tax losses generated in the current financial year are not materially different from the Loss after income tax as shown in the Consolidated statement of profit or loss and other comprehensive income with the exception of the reduction in loss caused by adding back the expenses claimed and amounts received for the Research and Development Tax Incentive during the period.

Unused tax losses for which no deferred tax assets have been bought to account

	2023	2022
Australian tax consolidated group	3,474,404	3,494,162
Control Bionics Inc (in relation to its tax year)	11,328,485	9,091,205
Total unused tax losses	**14,802,889**	**12,585,367**

During the financial year, Control Bionics Inc altered its tax year from a 31 December year end to a 30 June year end to align with the Australian entities.

NOTE 8: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2023	2022
Cash at bank	935,503	5,213,880
Other cash	-	123
	935,503	**5,214,003**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2023 $	2022 $
CURRENT		
Trade receivables - not subject to credit loss	433,166	338,000
Trade receivables - subject to credit loss	1,189,301	1,201,614
Gross carrying value of trade receivables	**1,622,467**	**1,539,614**
Allowance for credit losses - discount on gross invoice value	(316,325)	(280,315)
Provision for credit losses - doubtful debt	-	(84,613)
	(316,325)	**(364,928)**
Net carrying value of trade receivables	**1,306,142**	**1,174,686**
Office deposit bond	56,186	56,186
Other receivables	-	28,354
Government grants (R&D tax offset)	414,425	282,199
	1,776,753	**1,541,425**

Trade receivables subject to credit loss

After analysis of the various sub-markets that the Group operates in, Management considers the only sector subject to any material credit loss is the Insurance sector for Control Bionics Inc.

Clients in this sector normally pay an invoice below the gross carrying value at varying %'s based on the individual client and this has been factored into the business model of the Group.

Clients in this sector have accounts settled through progressive payments over time, often from multiple insurers or sources for the same account.

As clients in this sector do not receive a formal invoice but pay on lodged and approved Claims, the gross carrying value for any invoice for these sector clients in the trade receivable ledger (which represents the Claim value) has been adjusted to the expected collectible value. As at 30 June 2023 the reduction in the face or gross carrying value of such invoices within the trade receivable ledger is $316,325 (30 June 2022: $364,928).

As at 30 June 2023, the Group has applied any credit loss directly to the individual invoice rather than carrying a separate gross provision for the reduction to estimated collectible value in the statement of financial position. There is no impact on the statement of consolidated statement of profit or loss and other comprehensive income through this change in process.

Management continues to monitor the ageing of receivables in the normal course of business.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables - subject to credit loss

	2023 $	2022 $
Gross value of trade receivables invoiced	**1,541,485**	**1,409,763**
Progressive payments made to the account at period end	(341,291)	(208,149)
Adjustments	(10,893)	-
Net carrying value at period end	**1,189,301**	**1,201,614**
Allowance for credit losses - discount on gross invoice value	(316,325)	(280,315)
Provision for credit losses - doubtful debt	-	(84,613)
	(316,325)	**(364,928)**
Net carrying value of trade receivables subject to credit loss	**872,976**	**836,686**

Elements within the carrying value of Trade receivables that are subject to a potential Credit Loss

	Expected credit losses		Gross carrying value subject to credit loss		Allowance for expected credit losses	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Consolidated	**%**	**%**	**$**	**$**	**$**	**$**
To 6 months overdue	22%	20%	1,093,965	850,140	235,737	169,842
Over 6 months overdue	18%	35%	447,520	559,623	80,588	195,086
			1,541,485	**1,409,763**	**316,325**	**364,928**

Allowance for expected credit losses

The Group has not recorded a separate provision in the consolidated statement of financial position for expected credit losses at the end of the financial period (30 June 2022: $84,613).

	2023 $	2022 $
Opening balance	84,613	-
Additional provisions recognised	-	84,613
Existing provisions written back to accounts receivable	(84,613)	-
Closing balance	**-**	**84,613**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 $	2022 $
NOTE 10: CURRENT ASSETS – INVENTORIES		
CURRENT		
Components of inventory	**801,905**	**923,963**

NOTE 11: OTHER ASSETS

	2023 $	2022 $
CURRENT		
Prepayments	154,054	223,140
Share loan receivable	201,164	706,792
	355,218	**929,932**
NON-CURRENT		
Other non-current assets	**-**	**19,897**

On 23 December 2016, Rob Wong, then 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, then 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. 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. As at 30 June 2023 $113,500 had been repaid to the Group via sales of 1,031,818 shares at 11 cents per share.

In line with prudent accounting practice, the Group has impaired the loan by a total of $392,128 during the financial period (30 June 2022; $Nil) based on the existing share price at the time.

Share loan movement to 30 June 2023

	Share Volume 2023	Value $ 2023	Share Volume 2022	Value $ 2022
Opening Balance 1 July	**3,365,678**	**706,792**	**-**	**-**
Additions			3,365,678	706,792
Impairment 1HFY23		(241,193)		
Sale of shares May/June 23	(1,031,818)	(113,500)		
Impairment 2HFY23		(150,935)		
Closing Balance 30 June	**2,333,860**	**201,164**	**3,365,678**	**706,792**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2023 $	2022 $
Leasehold improvements		
At cost	41,731	40,162
Accumulated depreciation	(9,737)	(1,339)
	31,994	**38,823**
Plant and equipment		
At cost	197,355	170,260
Accumulated depreciation	(115,380)	(64,849)
	81,975	**105,411**
Assets under construction	**2,239**	**48,078**
Trial and demonstration equipment		
At cost	1,206,298	886,048
Accumulated depreciation	(725,654)	(576,903)
	480,644	**309,145**
Total plant and equipment	**564,858**	**462,634**
Total property, plant and equipment	**596,852**	**501,457**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2023 $	2022 $
Leasehold improvements		
Opening carrying amount	38,823	-
Additions	-	40,162
Depreciation expense	(8,217)	(1,339)
Net foreign currency exchange movements	1,388	-
Closing carrying amount	**31,994**	**38,823**
Plant and equipment		
Opening carrying amount	105,411	91,650
Additions	-	59,503
Transfers from/(to) Assets under construction	21,727	-
Depreciation expense	(47,985)	(45,742)
Net foreign currency exchange movements	2,822	
Closing carrying amount	**81,975**	**105,411**
Assets under construction		
Opening carrying amount	48,078	-
Additions	165,531	48,078
Transfers from/(to) Assets under construction	(213,248)	
Net foreign currency exchange movements	1,878	
Closing carrying amount	**2,239**	**48,078**
Trial and demonstration equipment		
Opening carrying amount	309,145	432,493
Additions	326,252	-
Disposals	(51,280)	-
Transfers from/(to) Assets under construction	191,521	-
Transfers from inventory	-	240,438
Depreciation expense	(303,934)	(363,786)
Net foreign currency exchange movements	8,940	
Closing carrying amount	**480,644**	**309,145**
Total property, plant and equipment		
Carrying amount at 1 July	501,457	524,143
Additions	491,783	147,743
Disposals	(51,280)	
Transfers from inventory	-	240,438
Depreciation expense	(360,136)	(410,003)
Net foreign currency exchange movements	15,028	(864)
Carrying amount at 30 June	**596,852**	**501,457**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS

	2023 $	2022 $
Patents and trademarks - at cost	29,814	29,814
Less: Accumulated amortisation	(25,328)	(22,446)
	4,486	**7,368**
Intellectual property	4,064,353	4,064,353
Less: Impairment	-	-
	4,064,353	**4,064,353**
Computer software	51,576	13,057
Less: Accumulated amortisation	(13,778)	(11,768)
	37,798	**1,289**
Total intangible assets	**4,106,637**	**4,073,010**

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

	2023 $	2022 $
Patents and trademarks		
Opening balance	7,368	14,471
Amortisation	(2,882)	(7,103)
Closing balance	**4,486**	**7,368**
Intellectual property		
Opening balance	4,064,353	4,064,353
Closing balance	**4,064,353**	**4,064,353**
Computer software		
Opening balance	1,289	13,057
Acquisition	38,519	-
Amortisation	(2,010)	(11,768)
Closing balance	**37,798**	**1,289**
Total Intangible assets		
Opening balance	4,073,010	4,091,881
Acquisition	38,519	-
Amortisation	(4,892)	(18,871)
Closing balance	**4,106,637**	**4,073,010**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

Impairment testing

Intellectual property (IP) with an indefinite useful life has been allocated to the following cash-generating unit:

	2023 $	2022 $
Control Bionics Group	**4,064,353**	**4,064,353**

The recoverable amount of the Group's intellectual property has been determined based on fair value less costs of disposal, using a relief from royalty method. These calculations require the use of assumptions, including estimated future revenue, royalty rates and cost of maintenance. Calculations have been based on a detailed projection for the year ending 30 June 2024 approved by management and extrapolated for a further four years using realistic growth rates, together with a terminal value.

Key assumptions are those to which the recoverable amount of the intellectual property is most sensitive.

The following key assumptions were used in the relief from royalty calculation for the intellectual property:

- 12.5% (2022: 12.5%) royalty rate;
- 15.6% (2022: 15.6%) pre-tax discount rate (weighted average cost of capital);
- Projected revenue growth rate per annum based on detailed forecasts for the 2024 financial year and average annual growth rates of 103% for Australia and 42% for the North American operations.

The pre-tax discount rate of 15.6% reflects Management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate, and the volatility of the share price relative to market movements.

Sensitivity

As disclosed in note 2, the directors have made judgement and estimates in respect of the impairment testing intellectual property. Should these judgements and estimates not occur the resulting carrying amount of intellectual property may decrease. The sensitivities are as follows;

- Expected Group revenue forecasts would need to decrease by more than 15% alone before the intellectual property would need to be impaired, with all other assumptions remaining constant.
- The discount rate would need to increase by 7% alone before the intellectual property would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of intellectual property is based would not cause the cash generating assets carrying amount to exceed its recoverable amount.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: LEASES

(a) Right of use assets

	2023 $	2022 $
Land and buildings - right-of-use	322,124	315,139
Accumulated depreciation	(198,765)	(82,696)
Total carrying amount of lease assets	**123,359**	**232,443**

Reconciliations of the carrying amount of lease assets at the beginning and end of the current and previous financial years are set out below:

	2023 $	2022 $
Land and buildings - right of use		
Opening carrying amount	232,443	9,917
Additions	-	315,139
Depreciation	(115,422)	(90,745)
Net foreign exchange differences	6,338	(1,868)
Closing carrying amount	**123,359**	**232,443**

The Group did not enter into any new lease agreements during the financial year.

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 will be renegotiated.

(b) Lease liabilities

	2023 $	2022 $
CURRENT		
Lease liability	**128,503**	**112,050**
NON-CURRENT		
Lease liability	**-**	**124,578**
Total carrying amount of lease liabilities	**128,503**	**236,628**
Maturity analysis		
Less than one year	128,503	112,050
One to five years	-	124,578
	128,503	**236,628**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2023 $	2022 $
CURRENT		
Trade creditors	517,111	429,273
Employee benefits – Payroll and Bonus accruals	232,477	-
GST and other taxes payable	59,309	89,995
Contract liabilities	224,279	152,574
Other current liabilities	136,893	182,382
	1,170,069	**854,224**

NOTE 16: CURRENT LIABILITIES – BORROWINGS

	2023 $	2022 $
CURRENT		
Unsecured liabilities		
Bank of Queensland insurance funding arrangement	**-**	**48,196**

(a) Bank of Queensland funding arrangement

The Bank of Queensland insurance funding facility was not rolled-over on expiry in December 2022.

(b) Total secured liabilities

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

(c) Assets pledged as security

There are no assets pledged as security across the group.

NOTE 17: CURRENT AND NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	2023 $	2022 $
CURRENT		
Annual leave	213,473	287,998
Long service leave	20,919	58,613
	234,392	**346,611**
NON-CURRENT		
Long service leave	**15,610**	**26,738**
Aggregate employee benefits liability	**250,002**	**373,349**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 17: CURRENT AND NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS (CONTINUED)

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTE 18: EQUITY – ISSUED CAPITAL

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	**90,479,028**	**86,911,168**	**30,241,659**	**29,266,524**

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Opening balance	1/7/2021	83,514,278		28,174,654
Issue of shares - exercise of options	11/8/2021	31,212	$0.45	14,046
Transfer of expense from share-based payment reserve	11/8/2021	-		- 35,332
Issue of shares - exercise of options	23/12/2021	3,365,678	$0.21	706,792
Transfer of expense from share-based payment reserve	23/12/2021	-		- 335,700
Balance at 30 June 2022		**86,911,168**		**29,266,524**
Issue of shares - exercise of options	25/7/2022	3,567,860	$0.21	749,250
Transfer of expense from share-based payment reserve	25/7/2022			225,885
Balance at 30 June 2023		**90,479,028**		**30,241,659**

Ordinary shares

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

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: EQUITY – ISSUED CAPITAL (CONTINUED)

Share buy-back

There is no current on-market share buy-back.

Capital risk management

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

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

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

NOTE 19: EQUITY – RESERVES

	Note	2023	2022
		$	$
Foreign currency translation reserve	19(a)	89,973	23,405
Share option reserve	19(b)	181,398	368,040
		271,371	**391,445**

(a) 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.

	2023	2022
Movements in reserve		
Opening balance	23,405	(66,103)
Exchange differences on translation of foreign operations	66,568	89,508
Closing balance	**89,973**	**23,405**

(b) Share option reserve

The share option reserve relates to share options granted by the Group to its employees under the arrangements outlined at Note 31.

	2023	2022
Movements in reserve		
Opening balance	368,040	687,369
Share based payments	39,243	51,703
Exercise of options	(225,885)	(371,032)
Closing balance	**181,398**	**368,040**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: FINANCIAL MANAGEMENT

Financial risk management objectives

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

Risk management is carried out by the Chief Executive Officer (CEO) and senior executives under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls, and risk limits. The CEO and senior executives identify, evaluate, and look to mitigate financial risks within the Group's operating units.

Foreign currency risk

The Group undertakes transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The carrying amount of the Group's foreign currency are denominated in $USD and the financial assets and financial liabilities at the reporting date were as follows:

Foreign currency denominated assets

	2023	2022
	$ USD	**$ USD**
Assets	986,440	1,021,588
Liabilities	(373,643)	(299,936)
Net assets	**612,797**	**721,652**

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

Impact of 10% movement in the Australian $ exchange rate

	2023	2022
	$ AUD	**$ AUD**
10 % weakening in rate - Gain / (loss) to profit and equity	92,428	104,754
10% strengthening in rate - (Loss) / gain to profit and equity	(84,025)	(95,231)

The actual foreign exchange loss for the year ended 30 June 2023 was $2,763 (2022: gain of $24,280).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: FINANCIAL MANAGEMENT (CONTINUED)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group predominantly makes sales to individuals and deals with insurance institutions for payment of individual treatment plans. There are therefore no large or material customers or counterparties to whom the Group is significantly exposed. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the passing of a customer while waiting for approval of a claim, failure of a customer to engage in a repayment plan, no active enforcement activity, failure to receive full funds from insurance providers and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: FINANCIAL MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

	Weighted average interest rate	1 Year or less	Between 1 and 2 years	Between 2 and 5 years	Remaining contractual maturities
	%	$	$	$	$
Year ended;					
30 June 2023					
Non-interest bearing					
Trade Payables	- %	1,170,069	-	-	1,170,069
Interest bearing					
- fixed rate					
Lease liability	4.50%	128,503	-	-	128,503
		1,298,572	**-**	**-**	**1,298,572**
Year ended;					
30 June 2022					
Non-interest bearing					
Trade payables	- %	854,224	-	-	854,224
Interest bearing					
- fixed rate					
Lease liability	4.50%	112,050	124,578	-	236,628
Finance instrument	4.80%	48,196	-	-	48,196
		1,014,470	**124,578**	**-**	**1,139,048**

Financing arrangements

The Group has external borrowings of $Nil at 30 June 2023 (30 June 2022: $48,196).

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

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

Compensation received by key management personnel of the company

	2023 $	2022 $
- short-term employee benefits	1,256,403	979,239
- post-employment benefits	50,511	70,631
- other long-term benefits	(17,933)	21,032
- share based payments	30,209	
	1,319,190	**1,070,902**

The key management personnel of the Group consists of the following directors of Control Bionics Limited:

Name	Position
Mr Roger David Hawke	Chairman
Mr Robert William Wong	Chief Executive Officer, Executive Director *Resigned 19 January 2023*
Mr Peter Shann Ford	Founder and Executive Director
Mr Damian Lismore	Non-Executive Director
Mr Lindsay John Phillips	Non-Executive Director *Resigned 4 May 2023*
Mr Jeremy Steele	Chief Executive Officer, Executive Director *Appointed 19 January 2023*
Prof Robert Heard	Non-Executive Director *Appointed 4 May 2023*

The key management personnel also consisted of the following person/s:

Name	Appointment / resignation details	Position
Mr Todd Tyler	*Appointed 8 September 2021*	US Country Manager
Mr Neale Java	*Appointed 8 February 2021/* *Resigned 10 June 2022*	Chief Financial Officer
Mr Dominik Kucera	*Appointed 22 July 2022*	Interim Chief Financial Officer

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 22: REMUNERATION OF AUDITORS

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

	2023	2022
	$	$
Audit services – BDO Audit Pty Ltd		
Audit or review of the financial statements	**83,719**	**90,500**
Other services – BDO Services Pty Ltd		
Preparation of Tax Return and other tax services	**8,000**	**16,000**

NOTE 23: CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2023 (30 June 2022: $Nil)

NOTE 24: COMMITMENTS

The Group has no capital commitments at 30 June 2023 (30 June 2022: $Nil).

NOTE 25: RELATED PARTY TRANSACTIONS

Parent Entity

Control Bionics Limited is the parent entity.

Subsidiaries

Interest in subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 21 and the Remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2023	2022
	$	$
Payment for employment services to related parties of Robert Wong *;	**96,646**	**116,165**

** For 2023 – For the period 1 July 2022 to 31 March 2023*

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	$	$

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2023 $	2022 $
Total expense claims payable to key management personnel and their related parties*	-	12,516
Loan receivable for shares*	-	706,792
	-	**719,308**

** Parties ceased being a related party on resignation of Robert Wong as a director on 31 March 2023*

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rate.

NOTE 26: PARENT ENTITY DETAILS

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

	2023 $	2022 $
(a) Summarised statement of financial position		
Assets		
Current assets	1,392,900	5,282,103
Non-current assets	5,376,090	6,209,509
Total assets	**6,768,990**	**11,491,612**
Liabilities		
Current liabilities	290,566	362,857
Non-current liabilities	773	58,613
Total liabilities	**291,339**	**421,470**
Net assets	**6,477,651**	**11,070,142**
Equity		
Share capital	30,241,659	29,266,524
Retained earnings	(23,945,406)	(18,564,422)
Share option reserve	181,398	368,040
Total equity	**6,477,651**	**11,070,142**
(b) Summarised statement of comprehensive income		
Profit / (loss) for the year	214,191	(79,204)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	**214,191**	**(79,204)**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 26: PARENT ENTITY DETAILS (CONTINUED)

(c) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

(d) Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

(e) Significant accounting policies

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

- Investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity.

NOTE 27: INTERESTS IN SUBSIDIARIES

Subsidiaries

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

Subsidiaries of Control Bionics Limited	Principal place of business/ Country of incorporation	2023 %	2022 %
Control Bionics Australia Pty Limited	Australia	100	100
Control Bionics Inc.	USA	100	100

NOTE 28: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 28 July 2023 Control Bionics Limited concluded a Rights Issue to eligible shareholders. The issue raised gross funds of $1,133,342 and resulted in the issue of 11,929,890 fully Paid Shares.

On 10 August 2023, the Nominations and Remuneration Committee granted 1,040,248 options under the Employee Options Scheme at a strike price of $0.095 per share, vesting over 5 years in 4 equal tranches of 260,062 options each in years 2 to 5.

There has been no other matter or circumstance which has arisen since 30 June 2023 that has significantly affected or may significantly affect:
(a) the operations, in financial years subsequent to 30 June 2023, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2023, of the Group.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 29: CASH FLOW INFORMATION

	2023 $	2022 $
(a) Reconciliation of cash flow from operations with profit after income tax		
Loss from ordinary activities after income tax	(5,631,141)	(6,101,224)
Adjustments and non-cash items		
Depreciation and amortisation	480,450	507,851
Research & development income	-	(172,199)
Share-based payments	39,243	51,703
Impairment of receivables	392,128	-
Net foreign exchange differences	66,568	2,732
Bad debt expense	237,202	84,613
Transfers from inventory	-	(240,438)
Changes in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	(235,328)	(415,460)
(Increase) / decrease in prepayments	(69,085)	-
(Increase) / decrease in inventories	122,058	(654,583)
Increase / (decrease) in other non-current assets	(121,981)	(2,176)
Increase / (decrease) in trade and other payables	315,845	(14,357)
Increase / (decrease) in provisions	(123,347)	66,603
Cash flows from operating activities	**(4,527,388)**	**(6,886,935)**

(b) Changes in liabilities arising from financing activities

Consolidated	Borrowings $	Lease liabilities $	Total $
Balance at 1 July 2022	48,196	236,628	284,824
Repayment of borrowings	(48,196)	(108,125)	(156,321)
Balance at 30 June 2023	**-**	**128,503**	**128,503**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	**2022**
	$	**$**
NOTE 30: EARNINGS PER SHARE		
Loss after income tax attributable to owners of Control Bionics Limited	**(5,631,141)**	**(6,101,224)**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per shares (Number)	**90,234,654**	**85,284,674**
	Cents	**Cents**
Basic earnings per share	(6.24)	(7.15)
Diluted earnings per share	(6.24)	(7.15)

The number of ordinary shares used in the calculation of Diluted Loss per Share is the same as the number used in the calculation of Basic Loss per Share in the year ended 30 June 2023 and the prior year ended 30 June 2022, as options are not considered dilutive as a loss was incurred in both years.

NOTE 31: SHARE BASED PAYMENTS

Equity-settled share-based payments

Employee option plan

365,636 options were issued to Mr Todd Tyler and 2,000,000 options were issued to Mr Jeremy Steele in the 2023 financial year. No other share-based incentives were issued to executives in the 2023 financial year.

Historical Grants of Options

Grants on 23 December 2016, 12 April 2017, and 28 June 2017

These grants were made to two current Executive Board members and one former member of Senior Management under a legacy share option arrangement. Options were included in the share split which occurred on 15 September 2020 in anticipation of an initial public offering. Shares and options were split in a ratio of one old share / option to 5.6094 new shares / options. Key details of the grants are outlined in the table below. These options have now fully expired as at 30 June 2023.

Grants on 13 February 2020, 8 September 2022, and 19 January 2023

On 13 February 2020 the Group adopted an Employee Share Option Plan, capped at 5% of issued capital whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain management personnel of the 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 Group's discretion and intended to reward those individuals' contributions to the performance of the Group. 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. Key details of the grants are outlined in the tables below.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Employee option plan (Continued)

Grant date	23 Dec 2016, 12 Apr 2017, 28 June 2017	13 Feb 2020
Vesting Period	Options vest immediately on grant	Nine equal tranches which vest at the end of each quarter beginning 31 January 2021 and ending 31 January 2023
Vesting conditions	None - Options vest immediately on grant	Continued employment by a member of the Group at each tranche vesting date
Exercise period	Any time between the period beginning on the date of their grant and ending on the Expiry Date, subject to any applicable escrow period	Any time from Vesting Date until Expiry Date
Expiry Date	5 years after grant date	5 years after grant date
Status	Expired	Active
Exercise price (pre-split)	$1.20	$2.50
Exercise price (post-split)	$0.21	$0.45
Valuation method	Black-Scholes	Black-Scholes
Key valuation inputs	Share price at grant: $1.20 Volatility: 51.8% Risk free rate: 1.076%	Share price at grant: $0.44 Volatility: 51.8% Risk free rate: 2.04%
Fair value at grant	$0.5595	Average @ $0.13
Entitlement to shares	Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of Control Bionics Limited upon exercise of the Option.	Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of Control Bionics Limited upon exercise of the Option.

Accounting policy, including valuation methodology used to value options, is outlined in note 1 and note 2.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Employee option plan (Continued)

Grant date	8-Sep-22	19 Jan 2023
Vesting Period	Four equal tranches which vest at the end of each year beginning 8 Sep 2023 and ending 8 Sep 2027	Four equal tranches which vest at the end of each year beginning 19 Jan 2024 and ending 19 January 2028
Vesting conditions	Continued employment by a member of the Group at each tranche vesting date	Continued employment by a member of the Group at each tranche vesting date
Exercise period	Any time from Vesting Date until Expiry Date	Any time from Vesting Date until Expiry Date
Expiry Date	5 years after grant date	5 years after grant date
Status	Active	Active
Exercise price (pre-split)	n/a	n/a
Exercise price (post-split)	$0.220	$0.165
Valuation method	Black-Scholes	Black-Scholes
Key valuation inputs	Share price at grant: $0.20 Volatility: 50.0% Risk free rate: 2.35%	Share price at grant: $0.167 Volatility: 50.0% Risk free rate: 4.1%
Fair value at grant	Average @ $0.06	Average @ $0.06
Entitlement to shares	Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of Control Bionics Limited upon exercise of the Option.	Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of Control Bionics Limited upon exercise of the Option.

Accounting policy, including valuation methodology used to value options, is outlined in note 1 and note 2.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Employee option plan (Continued)

Set out below are summaries of options granted under the plan and in existence during the year.

2023 Grant date	Expiry date	Exercise price	Fair value at grant date	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at the end of the year
28/6/17	28/7/22	$0.210	-	3,567,860	-	(3,567,860)	-	-
13/2/20	13/2/25	$0.450	140,598	749,202	-	-	-	749,202
8/9/22	8/9/27	$0.220	20,841	-	365,636	-	-	365,636
19/1/23	19/1/28	$0.165	113,000	-	2,000,000	-	-	2,000,000
			274,439	**4,317,062**	**2,365,636**	**(3,567,860)**	**-**	**3,114,838**
Weighted average exercise price			$ -	$0.25	$0.17	$0.21	$ -	$0.24

2022 Grant date	Expiry date	Exercise price	Fair value at grant date	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at the end of the year
23/12/16	23/12/21	$0.210	335,700	3,365,678	-	(3,365,678)	-	-
28/6/17	28/7/22	$0.210	355,866	3,567,860	-	-	-	3,567,860
13/2/20	13/2/25	$0.450	140,598	780,414	-	(31,212)	-	749,202
31/08/21	23/8/26	$0.650	82,388	-	276,934	-	(276,934)	-
			914,552	**7,713,952**	**276,934**	**(3,396,890)**	**(276,934)**	**4,317,062**
Weighted average exercise price			$ -	$0.23	$ -	$0.21	$ -	$0.25

The weighted average share price during the financial year was $0.21 (2022: $0.45).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.81 years (2022: 0.47 years).

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2023 Number	2022 Number
28/06/2017	28/07/2022	-	3,567,860
13/02/2020	13/02/2025	749,202	749,202
8/09/2022	8/09/2027	365,636	-
19/01/2023	19/01/2028	2,000,000	-
		3,114,838	**4,317,062**

DIRECTORS DECLARATION

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 29-76, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

   (b) as stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and

   (c) giving a true and fair view of the financial position as at 30 June 2023 and performance for the year ended on that date of the company.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, consistent with the assumptions set out in Note 1(d).

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

Director: ______________________________
Mr Roger David Hawke

Dated this 31st day of August 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Control Bionics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Control Bionics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How the matter was addressed in our audit***
Impairment of Intangible Assets The Group recognises material intellectual property assets of $4.1m, as detailed in Note 13 to the financial statements. These intangible assets are assessed as having an indefinite useful life. Australian Accounting Standards require intangibles with indefinite useful lives to be tested annually for impairment, and to recognise an impairment charge if the carrying value exceeds recoverable amount. This matter is considered significant to our audit given the material nature of these intangible assets to the Group, and the judgement associated with assessing the recoverable amount of the assets under a relief from royalty method. As a result of their impairment testing, management has concluded that no impairment charge is required on the intellectual property asset as at 30 June 2023.	Our audit procedures in order to address this key audit matter included, but were not limited to; • Evaluating the relief from royalty ('RR') model prepared by management to determine the fair value less costs of disposal of the intellectual property. This included assessing arithmetic accuracy of the model, ensuring it was in accordance with Australian Accounting Standards, as well as challenging and substantiating the key assumptions made by management, such as forecast revenue growth, royalty rates and discount rates; • Consulting with our valuation experts in order to assess the reasonableness of the methodology applied throughout the model, the royalty rate and the discount rate; • Reviewing the sensitivity analysis performed on the RR model in order to assess the impact of changes to the key assumptions in the model on the recoverable amount of the assets; and • Ensuring disclosure in the financial statements is adequate and meets the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 is located at the Auditing and Assurance Standards Board website at:https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of , for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO

Katherine Robertson

Katherine Robertson
Director

Melbourne, 31 August 2023

DISTRIBUTION OF EQUITABLE SECURITIES

The shareholder information set out below is applicable as at close of trading on 28 August 2023.

Distribution of equitable securities

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

	Ordinary Shares	
	Number of holders	**% of total shares issued**
1 to 1,000	214	0.1%
1,001 to 5,000	505	1.5%
5,001 to 10,000	294	2.3%
10,001 to 100,000	333	9.4%
100,001 and over	73	86.6%
	1419	100.0%
Holding less than as a marketable parcel using the share price as at the end of the financial period	753	1.8%

	Share price	**Number held**
Size of marketable parcel of shares at closing share price at the end of the financial period	$0.087	5,747

EQUITY SECURITY HOLDERS

The shareholder information set out below is applicable as at close of trading on 28 August 2023.

Twenty largest quoted equity security holders

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

Holder	Ordinary Shares Number held	Ordinary Shares % of total shares issued
PETER SHANN FORD	19,623,433	19.2%
NIGHTINGALE PARTNERS	19,093,151	18.6%
PHOENIX DEVELOPMENT	8,019,581	7.8%
R & R WONG HOLDINGS	4,874,479	4.8%
MR BRIAN GREGORY WALSH	4,089,133	4.0%
LOIDL NOMINEES PTY LTD	2,541,289	2.5%
IRONWOOD INVESTMENTS PTY	2,271,938	2.2%
PACIFIC ATLANTIC COMMERCE PTY	1,861,576	1.8%
BNP PARIBAS NOMS PTY LTD	1,678,329	1.6%
WINDWARD CAPITAL PTY LTD	1,645,179	1.6%
HAFNIUM MANAGEMENT PTY LTD	1,344,638	1.3%
JAMES SCHOREY	1,343,578	1.3%
BRINDLE HOLDINGS PTY LTD	1,100,000	1.1%
SANTIOS PTY LIMITED	999,219	1.0%
DONWOOD PTY LTD	800,000	0.8%
SCINTILLA STRATEGIC	800,000	0.8%
NANDAROO PTY LIMITED	792,202	0.8%
PAULA DARLING	781,757	0.8%
ROBERT ALLWELL PTY LTD	781,757	0.8%
PAUL MAHON	701,183	0.7%
		0.0%
Top 20 Holders	75,142,422	73.4%
Other equity holders	27,266,496	26.6%
Total issued capital	102,408,918	100.0%

	Number on issue	Number of holders
Options over ordinary shares issued	3,114,838	5

EQUITY SECURITY HOLDERS

The shareholder information set out below is applicable as at close of trading on 28 August 2023.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
Holder		
PETER SHANN FORD	19,623,433	19.2%
NIGHTINGALE PARTNERS	19,093,151	18.6%
PHOENIX DEVELOPMENT	8,019,581	7.8%
R & R WONG HOLDINGS	4,874,479	4.8%
Total substantial holders	**51,610,644**	**50.4%**

Voting rights

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

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

There are no other classes of equity securities.

Consistency with business objectives – ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The Group believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 26 October 2020.