

Oventus Manufacturing Pty Ltd

Financial report

For the year ended 30 June 2014

(formerly Oventus Pty Ltd)

OVENTUS MANUFACTURING PTY LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014*
		\$
Revenue and other income		-
Less: expenses		
Accounting and legal fees		(9,662)
Depreciation and amortisation expense		(17)
Other expenses		(561)
		<u>(10,240)</u>
Profit / (loss) before income tax expense		(10,240)
Income tax expense		-
Profit / (loss) for the year		<u>(10,240)</u>
Other comprehensive income for the year		-
Total comprehensive income		<u>(10,240)</u>

* The company was incorporated on 20 May 2013. The current period is for the 14 months from incorporation date to 30 June 2014. There is no comparative period.

The accompanying notes form part of these financial statements.

OVENTUS MANUFACTURING PTY LTD

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 \$
Current assets		
Cash and cash equivalents	2	426
Receivables	3	<u>235,965</u>
Total current assets		<u>236,391</u>
Non-current assets		
Intangible assets	5	345,157
Property, plant and equipment	4	<u>1,784</u>
Total non-current assets		<u>346,941</u>
Total assets		<u>583,332</u>
Current liabilities		
Payables	6	<u>250,715</u>
Total liabilities		<u>250,715</u>
Net assets		<u>332,617</u>
Equity		
Share capital	7	342,857
Retained earnings	8	<u>(10,240)</u>
Total equity		<u>332,617</u>

The accompanying notes form part of these financial statements.

OVENTUS MANUFACTURING PTY LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance as at incorporation	1	-	1
Profit/(loss) for the year	-	(10,240)	(10,240)
Total comprehensive income for the year	-	(10,240)	(10,240)
Transactions with owners in their capacity as owners:			
Contributions	342,856	-	342,856
Total transactions with owners in their capacity as owners	342,856	-	342,856
Balance as at 30 June 2014	342,857	(10,240)	332,617

The accompanying notes form part of these financial statements.

OVENTUS MANUFACTURING PTY LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014* \$
Cash flow from operating activities		
Receipts from customers		-
Payments to suppliers and employees		(25,652)
Interest received		-
R&D tax concession received		<u>-</u>
Net cash provided by / (used in) operating activities		<u>(25,652)</u>
Cash flow from investing activities		
Payment for property, plant and equipment		(1,801)
Payments for intangible assets		<u>(92,413)</u>
Net cash provided by / (used in) investing activities		<u>(94,214)</u>
Cash flow from financing activities		
Proceeds from share issue		1
Proceeds from borrowings from directors and related entities		<u>120,291</u>
Net cash provided by financing activities		<u>120,292</u>
Reconciliation of cash		
Cash at beginning of the financial year		-
Net increase in cash held		<u>426</u>
Cash at end of financial year		<u><u>426</u></u>

* The company was incorporated on 20 May 2013. The current period is for the 14 months from incorporation date to 30 June 2014. There is no comparative period.

The accompanying notes form part of these financial statements.

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. Oventus Manufacturing Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

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

(c) Government grants

Grants from government, including Australian Research and Development tax offsets, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as other income when the grant becomes receivable.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Financial Performance over the expected useful life of the relevant asset by equal annual instalments.

(d) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income tax (Continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Cash and cash equivalents

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

(f) Financial Instruments

Classification

The company classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Impairment of financial assets

The carrying amount of financial assets is reviewed annually by directors to assess whether there is any objective evidence that a financial asset is impaired.

Where such objective evidence exists, the company recognises impairment losses.

(g) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation rates	Depreciation basis
Office equipment at cost	20%	Diminishing value
Computer equipment at cost	67%	Diminishing value

(h) Intangibles

Patents, trademarks and licences

Patents, trademarks and licences are recognised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straightline basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

For an asset measured at cost, an impairment loss is recognised in profit or loss where the carrying amount of the asset exceeds its recoverable amount.

Reversal of impairment loss for an asset measured at cost other than goodwill is recognised immediately in profit or loss.

(k) Provisions

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

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

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

(m) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (Continued)

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The company makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

(n) Goods and services tax (GST)

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

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

(o) Contributed equity

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.

(p) Dividends

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

(q) Comparatives

The company was incorporated on 20 May 2013. The current period is for the 14 months from incorporation date to 30 June 2014. There is no comparative period.

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

2014
\$

NOTE 2: CASH AND CASH EQUIVALENTS

Cash on hand	1
Cash at bank	425
	<u>426</u>

NOTE 3: RECEIVABLES

CURRENT

Trade debtors	-
GST receivable	20,862
Other debtors	403

Amounts receivables from:

- shareholders (unpaid issued capital)	214,700
	<u>235,965</u>

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

Office equipment at cost	1,801
Accumulated depreciation	(17)
Total property, plant and equipment	<u>1,784</u>

NOTE 5: INTANGIBLE ASSETS

Patents, trademarks and licences at cost	70,615
Accumulated amortisation and impairment	-
	<u>70,615</u>

Research and development at cost	274,542
Total intangible assets	<u>345,157</u>

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

2014
\$

NOTE 6: PAYABLES

CURRENT

Unsecured liabilities

Trade creditors	149,887
Amounts payable to:	
director and related entities	94,992
Sundry creditors and accruals	<u>5,836</u>
	<u>250,715</u>

NOTE 7: SHARE CAPITAL

Issued and paid-up capital	
342,857 ordinary shares	<u>342,857</u>

2014
Number \$

ordinary shares

Shares issued:

On incorporation	1	1
30 June 2014	<u>342,856</u>	<u>342,856</u>
At reporting date	<u>342,857</u>	<u>342,857</u>

During the year-ended 30 June 2014 the company issued 239,999 ordinary shares at \$1 each for cash. Additionally 102,857 ordinary shares were issued as share based payments at a fair value of \$1 per share.

Rights of each type of share

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

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

OVENTUS MANUFACTURING PTY LTD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

2014
\$

NOTE 8: RETAINED EARNINGS

Retained earnings at beginning of year
Net profit / (loss)

-
(10,240)
(10,240)

NOTE 9: RELATED PARTY TRANSACTIONS

(a) Consulting agreement with Neil Anderson

Remuneration paid to Neil Anderson as chief executive office is through a consultancy agreement with NGCT Pty Ltd ("NGCT") a company controlled by Neil Anderson. For the year ended 30 June 2014 Oventus Manufacturing paid NGCT \$129,096 for services provided by Neil Anderson. These costs were capitalised as development costs. At 30 June 2014 amounts owed to NGCT was \$121,774 and is included in payables. In addition, Neil Anderson is reimbursed for out of pocket costs in the normal course.

(b) Share based payment to Neil Anderson

At 30 June 2014 Oventus Manufacturing paid Neil Anderson \$51,428, by the issue of 51,428 fully paid ordinary shares at \$1 each, for services provided in connection with the development of the company's intellectual property.

(c) Loan facility - Christopher Hart

On 30 June 2014 Oventus Manufacturing entered into a facility agreement with Christopher Hart to provide a funding facility for Oventus Manufacturing. Interest accrues on the principal balance after 12 months from the date of the agreement and can be added to the principal. The interest rate is to be no more than the rate borrowed by the lender on similar loans. The debt is unsecured and the repayment date is to be agreed by the parties. At 30 June 2014 the amount owed to Christopher Hart under the facility agreement was \$94,992.

NOTE 10: SUBSEQUENT EVENTS

On 23 September 2015 Oventus Medical Limited (OML) was incorporated and acquired all the shares in the Company; the consideration paid by way of issue of shares in OML. On 30 September 2015, OML issued an Information Memorandum ("IM") seeking to raise \$2 million by offering 10 million shares at 20 cents each. The purpose of the capital raising was to fund working capital required by the Company to scale up its manufacturing operations, expand its distribution model and fund ongoing research and development costs. The offer under the IM closed in October 2015 and OML raised approximately \$4.1 million. Part of these funds have been allocated to the Company to fund ongoing working capital.

OVENTUS MANUFACTURING PTY LTD

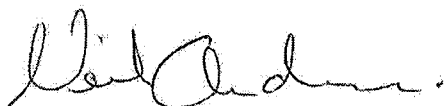
DIRECTORS' DECLARATION

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

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 - 13 presents fairly the company's financial position as at 30 June 2014 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
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.

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



Director:

Director

Dated this

25th day of February 2016, 2016



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

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COLE WILKINSON
SIMON CHUN

INDEPENDENT AUDITOR'S REPORT

To the members of Oventus Manufacturing Pty Ltd,

We have audited the accompanying financial report of Oventus Manufacturing Pty Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended to 30 June 2014, notes comprising a summary of significant accounting policies and other explanatory information, and directors' declaration. The financial report has been prepared by management based on the accounting policies described in Note 1.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1, is appropriate to meet the requirements of the directors and members and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Oventus Manufacturing Pty Ltd as at 30 June 2014, and of its financial performance and its cash flows for the year ended 30 June 2014 in accordance with the accounting policies described in Note 1.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report is prepared to assist Oventus Manufacturing Pty Ltd to meet the requirements of the directors and members. As a result, the financial report may not be suitable for another purpose.

PITCHER PARTNERS



ROSS WALKER
Partner

Brisbane, Queensland
25 February 2016