

ADALTA PTY LTD

ABN 92 120 332 925

FINANCIAL REPORT

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014**

ADALTA PTY LTD
FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014

<u>CONTENTS</u>	<u>PAGE NO.</u>
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 7
Directors' Declaration	8
Independent Audit Report	9 - 10

ADALTA PTY LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
Revenue	2	744,736	812,917
Less: Expenses			
Cost of Services		(1,564,842)	(1,104,807)
Depreciation expense		(1,115)	(1,245)
Employee benefit expense		(211,715)	(227,237)
Travel expenses		(60,114)	(30,335)
Board fees		(53,333)	(50,000)
Patent and legal costs		(45,306)	(98,257)
Other expenses		(57,143)	(61,342)
Loss before income tax		<u>(1,248,832)</u>	<u>(760,306)</u>
Income tax expense		-	-
Net loss		<u>(1,248,832)</u>	<u>(760,306)</u>
Other Comprehensive income		-	-
Total comprehensive (loss) attributable to members		<u><u>(1,248,832)</u></u>	<u><u>(760,306)</u></u>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes of these financial statements.

ADALTA PTY LTD

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	3	382,302	575,005
Trade and other receivables	4	75,772	31,045
Total Current Assets		<u>458,074</u>	<u>606,050</u>
Non-Current Assets			
Plant and equipment	5	<u>1,689</u>	<u>1,701</u>
Total Non-Current Assets		<u>1,689</u>	<u>1,701</u>
TOTAL ASSETS		<u>459,763</u>	<u>607,751</u>
Current Liabilities			
Trade and other payables	6	264,339	262,684
Provisions	7	22,608	11,144
Other	8	-	50,000
Total Current Liabilities		<u>286,947</u>	<u>323,828</u>
Non-Current Liabilities			
Provisions	7	<u>-</u>	<u>10,723</u>
Total Non-Current Liabilities		<u>-</u>	<u>10,723</u>
TOTAL LIABILITIES		<u>286,947</u>	<u>334,551</u>
NET ASSETS		<u>172,816</u>	<u>273,200</u>
EQUITY			
Share Capital	9	5,490,277	4,342,285
Share based payment reserve	10	3,908	3,908
Accumulated losses		(5,321,369)	(4,072,993)
TOTAL EQUITY		<u>172,816</u>	<u>273,200</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes of these financial statements.

ADALTA PTY LTD

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

	Note	2014 \$	2013 \$
Cash flow from operating activities			
Receipt from customers		136,877	419,263
Payments to suppliers and employees		(2,020,784)	(1,476,459)
R&D tax incentive		575,192	372,393
Interest received		18,667	21,262
Net cash used in operating activities	11	<u>(1,290,048)</u>	<u>(663,541)</u>
Cash flow from investing activities			
Payment for plant and equipment		(2,296)	-
Insurance claim proceeds		1,649	-
Net cash used investing activities		<u>(647)</u>	<u>-</u>
Cash flow from financing activities			
Proceeds from share issue		1,097,992	50,000
Net cash provided by financing activities		<u>1,097,992</u>	<u>50,000</u>
Net (decrease) in cash held		(192,703)	(613,541)
Cash at beginning of the financial year		575,005	1,188,546
Cash at end of financial year	3	<u>382,302</u>	<u>575,005</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes of these financial statements.

ADALTA PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

This financial report is a special purpose report prepared in order to satisfy the company requirements of the Company's investors.

The directors have determined that the Company is not a reporting entity.

The recognition and measurement criteria of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board have been applied with the exception of AASB 2: Share-based Payment. However, the disclosure requirements of this framework have not been applied as the company is not a reporting entity.

The financial report has been prepared on an accruals basis and is based on historic costs.

The financial report has been based on the assumption that the company is a going concern and will be able to meet all its financial obligations as and when they fall due. The company intends to raise additional capital from shareholders before the end of the calendar year and this additional capital, in association with the 2014 R&D tax incentive, will be sufficient to fund the company's programs for the period of twelve months from the date of this report.

The following specific accounting policies have been adopted in the preparation of this financial report and are consistent with prior periods unless otherwise stated.

(b) Revenue recognition

The company recognises revenue as follows:

Contract research income is recognised in accordance with the terms of the relevant contract which may be based on the achievement of specific milestone based.

Grant income is recognised when invoiced under the terms of the relevant grant.

The R&D tax incentive is recognised on receipt.

Interest income is recognised on receipt.

(c) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding overdrafts.

(d) Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation.

All assets are depreciated over their useful lives to the company.

ADALTA PTY LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

NOTE 2 REVENUE

	2014	2013
	\$	\$
Contract research	74,432	388,956
R&D offset	575,192	372,393
Grant income	76,445	30,306
Interest income	18,667	21,262
	<u>744,736</u>	<u>812,917</u>

NOTE 3 CASH AND CASH EQUIVALENTS

Business cheque account	11,056	67,539
Business cash reserve	178,746	-
Savings bonus account	192,500	259,884
Savings Maxi direct	-	247,582
	<u>382,302</u>	<u>575,005</u>

NOTE 4 TRADE AND OTHER RECEIVABLES

Trade debtors	14,000	-
Other receivables - GST	61,772	31,045
	<u>75,772</u>	<u>31,045</u>

NOTE 5 PLANT AND EQUIPMENT

Office equipment and furniture – at cost	3,952	4,207
Accumulated depreciation	<u>(2,263)</u>	<u>(2,506)</u>
	<u>1,689</u>	<u>1,701</u>
Computer software	1,241	1,241
Less amortisation and impairments	<u>(1,241)</u>	<u>(1,241)</u>
	<u>-</u>	<u>-</u>
Total plant and equipment	<u>1,689</u>	<u>1,701</u>

NOTE 6 TRADE AND OTHER PAYABLES

Accruals	260,729	258,115
PAYG payable	3,610	3,560
FBT Payable	-	459
GST Collected	-	550
	<u>264,339</u>	<u>262,684</u>

ADALTA PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

NOTE 7 PROVISIONS

	2014 \$	2013 \$
Current		
Provision for annual leave	8,141	11,144
Provision for long service leave	14,467	-
	<u>22,608</u>	<u>11,144</u>
Non-current		
Provision for long service leave	<u>-</u>	<u>10,723</u>

NOTE 8 OTHER LIABILITIES

Prepaid share capital	<u>-</u>	<u>50,000</u>
-----------------------	----------	---------------

NOTE 9 CONTRIBUTED CAPITAL

2,065,000 ordinary shares	2,490,279	2,490,236
2,999,998 preference shares	2,999,998	1,852,049
	<u>5,490,277</u>	<u>4,342,285</u>

NOTE 10 RESERVES

Share option reserve	<u>3,908</u>	<u>3,908</u>
----------------------	--------------	--------------

NOTE 11 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of net cash used in operating activities to net loss attributable to members

Loss attributable to members	(1,248,832)	(760,306)
Depreciation	1,115	1,245
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(44,727)	(10,687)
Increase / (decrease) in payables	1,655	94,571
Increase / (decrease) in provisions	741	11,636
Net cash used in operating activities	<u>(1,290,048)</u>	<u>(663,541)</u>

ADALTA PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

NOTE 12 CONTINGENT LIABILITIES

The directors are not aware of any matters or circumstances which may give rise to a contingent liability.

NOTE 13 SUBSEQUENT EVENTS

The Company is registered with AusIndustry for the Research and Development Tax Incentive Scheme. Since the end of the financial year, an application has been made to the Australian Taxation Office for an estimated refundable tax offset of \$771,896 for the 2014 financial year.

No other matters or circumstances have arisen since the end of the year which significantly affect, or may significantly affect, the state of affairs or operations of the company subsequent to the year ended 30 June 2014.

NOTE 14 STATUTORY INFORMATION

The Company, AdAlta Pty Ltd, is a proprietary company limited by shares registered and domiciled in Australia.

Its registered office and principal place of business is 15/2 Park Drive, Bundoora VIC 3083.

The principal activity is development and commercialisation of the Company's i-body technology.

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

ADALTA PTY LTD

DIRECTORS' DECLARATION

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

The directors declare that:

- (a) the financial statements and notes as set out on pages 1 to 7 present fairly the company's financial position as at 30 June 2014 and its performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements
- (b) 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 Directors' resolution:



Samantha Cobb
Director

Melbourne
Date: 18 July 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADALTA PTY LTD



Report on the Financial Report

We have audited the attached financial report, being a special purpose financial report of AdAlta Pty Ltd which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements and needs of the Company's shareholders.

The Directors' responsibility also includes such internal controls as the Directors determine is necessary to enable the preparation 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 have conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, 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.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

BUTLER
SETTINERI

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

**Locked Bag 18
Subiaco WA 6904
Australia**

Phone: **(08) 6389 5222**
Fax: **(08) 6389 5255**
mail@butlersettineri.com.au

www.butlersettineri.com.au

**Butler Settineri
(Audit) Pty Ltd**

ACN 112 942 373

Registered Company Auditor
Number 289109

*Liability limited by a scheme
approved under Professional
Standards Legislation*

Auditor's Opinion

In our opinion, the financial report of AdAlta Pty Ltd presents fairly the Company's financial position as at 30 June 2014 and its performance for the year ended on that date and complies with Australian Accounting Standards to the extent 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 has been prepared in order to satisfy the requirements of the Company's shareholders. As a result, the financial report may not be suitable for another purpose.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 24 July 2014