# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

## Financial Statements

**For the Year Ended 30 June 2018**

# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Contents

## For the Year Ended 30 June 2018

# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Directors' Report

## For the Year Ended 30 June 2018

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2018.

### General information

### Directors

The names of the directors in office at any time during, or since the end of, the year are:

| Names | Position | Appointed/Resigned |
|---|---|---|
| Dan Kao | Director | |
| Craig Lawn | Director | |
| Clement Doherty | Director | |
| William Highland | Director | |
| Dr Alex Birrell | Director | |
| Ronald Weinberger | Director | Appointed 3 July 2018 |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal activities

The principal activities of the Group during the financial year were the design, manufacture and sale of respirators and related products and services.

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

### Operating results

The consolidated loss of the Group amounted to $1,096,656 (2017: loss of $ 1,988,504).

### Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

### Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

### Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

### Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Directors' Report

## For the Year Ended 30 June 2018

### Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium of $10,381 (2017: $8,668) to insure the directors and officers of the Group.

### Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ............................................................
Dr Alex Birrell

Director: ............................................................
William Highland

Dated 21 August 2018

PKF

## Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of PAFtec Pty Ltd and controlled entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

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SCOTT TOBUTT
PARTNER

21 AUGUST 2018
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| Revenue | 4 | **7,723,662** | 4,784,824 |
| Other income | 4 | **1,474,410** | 1,086,803 |
| Cost of sales | 5 | **(2,372,076)** | (1,998,238) |
| Employee benefits expense | | **(2,941,750)** | (2,315,686) |
| Depreciation and amortisation expense | | **(235,735)** | (228,547) |
| Consulting fees | | **(227,499)** | (283,852) |
| Marketing and sales expense | | **(1,598,094)** | (842,618) |
| Administration expense | | **(517,591)** | (351,941) |
| Travel expense | | **(750,761)** | (444,773) |
| Research and development expense | | **(1,063,008)** | (959,088) |
| Intellectual Property cost | | **(297,491)** | (150,081) |
| Other expenses | | **(175,480)** | (233,486) |
| Finance costs | | **(115,243)** | (51,821) |
| **Loss before income tax** | | **(1,096,656)** | (1,988,504) |
| Income tax expense | | **-** | - |
| **Loss for the year** | | **(1,096,656)** | (1,988,504) |
| Other comprehensive income, net of tax | | **-** | - |
| **Total comprehensive loss for the year** | | **(1,096,656)** | (1,988,504) |

The accompanying notes form part of these financial statements.

# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Consolidated Statement of Financial Position

## As At 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | **4,251,724** | 1,122,318 |
| Trade and other receivables | 7 | **1,562,119** | 849,624 |
| Financial assets | 9 | **629,103** | 1,281,371 |
| Inventories | 8 | **683,102** | 889,692 |
| Other assets | 10 | **12,541** | 7,570 |
| TOTAL CURRENT ASSETS | | **7,138,589** | 4,150,575 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | **1,005,833** | 1,037,497 |
| TOTAL NON-CURRENT ASSETS | | **1,005,833** | 1,037,497 |
| TOTAL ASSETS | | **8,144,422** | 5,188,072 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | **739,608** | 586,538 |
| Borrowings | 13 | **29,022** | 8,851 |
| Short-term provisions | 14 | **149,893** | 141,141 |
| TOTAL CURRENT LIABILITIES | | **918,523** | 736,530 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 13 | **2,311,532** | 2,242,745 |
| Long-term provisions | 14 | **90,294** | 90,198 |
| TOTAL NON-CURRENT LIABILITIES | | **2,401,826** | 2,332,943 |
| TOTAL LIABILITIES | | **3,320,349** | 3,069,473 |
| NET ASSETS | | **4,824,073** | 2,118,599 |
| **EQUITY** | | | |
| Issued capital | 15 | **14,304,622** | 10,502,492 |
| Accumulated losses | | **(9,480,549)** | (8,383,893) |
| TOTAL EQUITY | | **4,824,073** | 2,118,599 |

The accompanying notes form part of these financial statements.

# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Consolidated Statement of Changes in Equity

## For the Year Ended 30 June 2018

| | Issued Capital | Accumulated losses | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 1 July 2017** | **10,502,492** | **(8,383,893)** | **2,118,599** |
| Loss for the year | **-** | **(1,096,656)** | **(1,096,656)** |
| Shares issued during the year, net of transaction costs | **3,784,805** | **-** | **3,784,805** |
| Share based payment transactions | **17,325** | **-** | **17,325** |
| **Balance at 30 June 2018** | **14,304,622** | **(9,480,549)** | **4,824,073** |
| | | | |
| **Balance at 1 July 2016** | 10,476,242 | (6,395,389) | 4,080,853 |
| Loss for the year | - | (1,988,504) | (1,988,504) |
| Share based payment transactions | 26,250 | - | 26,250 |
| **Balance at 30 June 2017** | 10,502,492 | (8,383,893) | 2,118,599 |

The accompanying notes form part of these financial statements.

# PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Consolidated Statement of Cash Flows

## For the Year Ended 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **7,637,195** | 5,203,939 |
| Payments to suppliers and employees | | **(9,972,554)** | (7,569,487) |
| Grants and government subsidies received | | **1,365,927** | 930,942 |
| Interest received | | **20,589** | 71,261 |
| Finance costs | | **(115,243)** | (51,821) |
| Net cash used in operating activities | 17 | **(1,064,086)** | (1,415,166) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of plant and equipment | | **(180,676)** | (182,290) |
| Proceeds from financial assets | | **652,268** | 2,202,846 |
| Net cash provided by investing activities | | **471,592** | 2,020,556 |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from issue of shares (net of transaction costs) | | **3,632,942** | - |
| Net proceeds /(repayment) from borrowings | | **88,958** | (14,668) |
| Net cash provided by/(used in) financing activities | | **3,721,900** | (14,668) |
| | | | |
| Net increase in cash and cash equivalents held | | **3,129,406** | 590,722 |
| Cash and cash equivalents at beginning of year | | **1,122,318** | 531,596 |
| Cash and cash equivalents at end of financial year | 6 | **4,251,724** | 1,122,318 |

The accompanying notes form part of these financial statements.

The financial report covers PAFtec Pty Ltd and controlled entities ('the Group'). PAFtec Pty Ltd and controlled entities is a for-profit Group limited by shares, incorporated and domiciled in Australia.

### 1 Basis of Preparation

In the Directors opinion, the Group is not a reporting entity since there are unlikely to exist users of the financial report who are not able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. This special purpose financial report has been prepared to meet the reporting requirements of the *Corporations Act 2001*.

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards and Accounting Interpretations, and the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies*, *Changes in Accounting Estimates and Errors* and AASB 1054 *Australian Additional Disclosures*.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

### 2 Summary of Significant Accounting Policies

#### (a) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 18 to the financial statements.

#### (b) Income Tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

### 2 Summary of Significant Accounting Policies (cont'd)

#### (b) Income Tax (cont'd)

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### (c) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### (d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

Interest is recognised using the effective interest method.

Other income is recognised on an accruals basis when the Group is entitled to it.

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

### 2 Summary of Significant Accounting Policies (cont'd)

#### (e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

#### (f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

#### (g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment of losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

**Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|---|---|
| Plant and Equipment | 13 - 25% |
| Motor vehicles | 13% |
| Office equipment | 7 - 20% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

#### (h) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

**2 Summary of Significant Accounting Policies (cont'd)**

**(h) Impairment of non-financial assets (cont'd)**

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

**(i) Financial instruments**

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

*Financial Assets*

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument’s category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the ‘finance income’ or ‘finance costs’ line item respectively.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

### 2 Summary of Significant Accounting Policies (cont'd)

#### (i) Financial instruments (cont'd)

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

**Impairment of Financial Assets**

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### (j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**2 Summary of Significant Accounting Policies (cont'd)**

**(k) Provisions**

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

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

**(l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

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

**(m) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity as it is non-redeemable or redeemable only at the company’s option, and any dividends are discretionary.

**(n) Adoption of new and revised accounting standards**

During the current year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has not impacted the recognition, measurement and disclosure of certain transactions.

### 2 Summary of Significant Accounting Policies (cont'd)

#### (o) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

| Standard Name | Effective date for entity | Requirements | Impact |
|---|---|---|---|
| AASB 9: Financial Instruments and associated Amending Standards | 30 June 2019 | Changes to the classification and measurement requirements for financial assets and financial liabilities.<br><br>New rules relating to derecognition of financial instruments. | The Group has assessed the impact of the new requirements on its current transactions and activities. No material changes to the amounts recognised in the financial statements are expected to arise from the application of this standard. |
| AASB 15: Revenue from Contracts with Customers | 30 June 2019 | The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.<br><br>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2018), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. | The Group has assessed the impact of the new requirements on its current transactions and activities. No material changes to the amounts recognised in the financial statements are expected to arise from the application of the new requirements to the current transactions and activities of the Group.<br><br>The additional disclosure requirements will be incorporated into the financial statements from the date of adoption. |
| AASB 16 Leases | 30 June 2020 | Replaces AASB 117 Leases. Requires all leases to be accounted for “on-balance sheet” by leases, other than short-term and low value asset leases.<br><br>Also requires new and different disclosures about leases. | Existing commitments in relation to operating leases will need to be recognised “on-balance sheet” rather than disclosed in the Notes to the Financial Statements. |

### 3 Critical accounting estimates and judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

### 3 Critical accounting estimates and judgments (cont'd)

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

**Key estimates - provisions**

Provisions for employee benefits are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Long term employee provisions are measured as the present value of future cash flows, accounting for inflation and probability factors.

**Key estimates - receivables**

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible, by considering the ageing of receivables, communication with the debtors and prior history.

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |

### 4 Revenue and other income

| | 2018 | 2017 |
|---|---|---|
| **Revenue** | | |
| Sale of goods | **7,723,662** | 4,784,824 |

| | 2018 | 2017 |
|---|---|---|
| **Other income** | | |
| Government grants | **72,159** | 116,400 |
| Research and development tax incentive | **1,293,768** | 814,542 |
| Net foreign exchange gain/(loss) | **8,908** | 41,931 |
| Interest income | **20,589** | 71,261 |
| Other income | **78,986** | 42,669 |
| | **1,474,410** | 1,086,803 |

### 5 Result for the Year

The result for the year includes the following specific expenses:

| | 2018 | 2017 |
|---|---|---|
| **Cost of sales** | | |
| Cost of sales - sale of goods | **1,912,060** | 1,462,938 |
| Freight | **141,308** | 138,718 |
| Other cost of sales | **318,708** | 396,582 |
| | **2,372,076** | 1,998,238 |

### 6 Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| Cash at bank | **4,251,724** | 1,122,318 |

### 7 Trade and other receivables

| | 2018 | 2017 |
|---|---|---|
| CURRENT | | |
| Trade receivables | **1,340,224** | 793,462 |
| GST receivable | **70,032** | 56,162 |
| Other receivables | **151,863** | - |
| | **1,562,119** | 849,624 |

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| **8** | **Inventories** | | |
| | CURRENT | | |
| | At cost: | | |
| | Raw materials and consumables | **581,481** | 720,794 |
| | Finished goods | **101,621** | 168,898 |
| | | **683,102** | 889,692 |
| **9** | **Other Financial Assets** | | |
| | CURRENT | | |
| | Financial assets held at amortised cost | **629,103** | 1,281,371 |
| **10** | **Other Assets** | | |
| | CURRENT | | |
| | Prepayments | **12,541** | 7,570 |
| **11** | **Property, plant and equipment** | | |
| | Plant and equipment | | |
| | At cost | **1,587,058** | 1,406,736 |
| | Accumulated depreciation | **(674,163)** | (464,326) |
| | | **912,895** | 942,410 |
| | Motor vehicles | | |
| | At cost | **64,379** | 64,025 |
| | Accumulated depreciation | **(10,924)** | (25,636) |
| | | **53,455** | 38,389 |
| | Office equipment | | |
| | At cost | **105,238** | 105,238 |
| | Accumulated depreciation | **(65,755)** | (48,540) |
| | | **39,483** | 56,698 |
| | **Total property, plant and equipment** | **1,005,833** | 1,037,497 |
| **12** | **Trade and other payables** | | |
| | CURRENT | | |
| | Unsecured liabilities | | |
| | Trade payables | **459,098** | 322,952 |
| | Accrued expenses | **143,359** | 134,500 |
| | Other payables | **137,151** | 129,086 |
| | | **739,608** | 586,538 |

# Notes to the Financial Statements

## For the Year Ended 30 June 2018

| | | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |

### 13 Borrowings

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| CURRENT | | | |
| Finance lease | 16 | **29,022** | 8,851 |
| | | **29,022** | 8,851 |
| NON-CURRENT | | | |
| Loan from NSW Health Administration Corporation | | **2,293,506** | 2,227,735 |
| Finance lease | 16 | **18,026** | 15,010 |
| | | **2,311,532** | 2,242,745 |

**Loan from NSW Health Administration Corporation**

PAFtec Australia Pty Limited (The Company) entered into a funding agreement with NSW Health Administration Corporation in January 2016. The funding is to be used solely for the CleanSpace Healthcare Respirator project, to develop a CleanSpace respirator specific for Health Care workers who are at risk infectious airborne diseases.

Repayment of the funding will occur after the Company has achieved commercial success on the project. The project is not expected to achieve commercial success within the next 12 months and thus has been classified as non-current.

### 14 Provisions

| | 2018 $ | 2017 $ |
|---|---|---|
| CURRENT | | |
| Employee entitlements | **149,893** | 141,141 |
| NON-CURRENT | | |
| Employee entitlements | **90,294** | 90,198 |

### 15 Issued Capital

| | 2018 $ | 2017 $ |
|---|---|---|
| 54,460,746 (2017: 43,349,633) Ordinary shares | **10,778,560** | 6,993,755 |
| 11,904,762 (2017: 11,904,762) Preference shares | **3,000,000** | 3,000,000 |
| 4,571,912 (2017: 3,903,162) Employee N Class shares | **526,062** | 508,737 |
| | **14,304,622** | 10,502,492 |

The holders of ordinary shares and preference shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each ordinary and preference shareholder has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The holders of N Class Employee shares do not have the right to notice of, or vote or attend at, a meeting of the shareholders nor do they have the right to participate in any further issue of shares made by the Company.

The Company does not have authorised capital or par value in respect of its shares.

## 16 Capital and Leasing Commitments

### (a) Finance Leases

| | 2018 $ | 2017 $ |
|---|---|---|
| Minimum lease payments: | | |
| - not later than one year | **29,022** | 8,851 |
| - between one year and five years | **18,026** | 15,010 |
| Present value of minimum lease payments | **47,048** | 23,861 |

Finance leases are in place for motor vehicles and normally have a term of 3 years. The leases have terms of renewal but no purchase option or escalation clauses. Renewals are at the option of the entity holding the lease.

### (b) Operating Leases

| | 2018 $ | 2017 $ |
|---|---|---|
| Minimum lease payments under non-cancellable operating leases: | | |
| - not later than one year | **-** | 86,196 |

## 17 Cash Flow Information

| | 2018 $ | 2017 $ |
|---|---|---|
| Reconciliation of result for the year to cashflows from operating activities | | |
| Loss for the year | **(1,096,656)** | (1,988,504) |
| Non-cash flows in profit: | | |
| - depreciation | **235,735** | 228,547 |
| - issue of Employee N class shares | **17,325** | 26,250 |
| - impairment of receivables | **41,333** | - |
| - stock adjustments | **(65,770)** | 13,986 |
| - unrealised (gain)/loss on foreign exchange | **199** | (33,555) |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | **(563,220)** | 148,870 |
| - (increase)/decrease in other assets | **(4,971)** | 15,879 |
| - (increase)/decrease in inventories | **206,590** | 59,681 |
| - increase/(decrease) in trade and other payables | **156,501** | 46,184 |
| - increase/(decrease) in provisions | **8,848** | 67,496 |
| Cashflow from operations | **(1,064,086)** | (1,415,166) |

# Notes to the Financial Statements

## For the Year Ended 30 June 2018

### 18 Controlled entities

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* 2018 | Percentage Owned (%)* 2017 |
|---|---|---|---|
| **Parent entity:** | | | |
| PAFtec Pty Ltd | Australia | **100** | 100 |
| **Subsidiaries:** | | | |
| Cleanspace IP Pty Ltd (Formerly PAFtec Technologies Pty Ltd) | Australia | **100** | 100 |
| Cleanspace Technology Pty Ltd (Formerly PAFtec Australia Pty Ltd) | Australia | **100** | 100 |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

### 19 Parent entity

The following information has been extracted from the books and records of the parent, PAFtec Pty Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, PAFtec Pty Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

*Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

| | 2018 $ | 2017 $ |
|---|---|---|
| **Statement of Financial Position** | | |
| Assets | | |
| Current assets | **15,317,385** | 10,242,415 |
| Non-current assets | **3,200,887** | 3,200,887 |
| Total Assets | **18,518,272** | 13,443,302 |
| Liabilities | | |
| Current liabilities | **5,313** | 5,313 |
| Total Liabilities | **5,313** | 5,313 |
| Equity | | |
| Issued capital | **14,307,474** | 10,509,283 |
| Retained earnings | **4,205,485** | 2,928,706 |
| Total Equity | **18,512,959** | 13,437,989 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit for the year | **1,276,779** | 786,596 |
| **Total comprehensive income** | **1,276,779** | 786,596 |

## 20 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2018 (30 June 2017:None).

## 21 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 22 Company Details

The registered office of and principal place of business of the company is:

PAFtec Pty Ltd
16 - 18 Carlotta Street
Artarmon NSW 2064

## PAFtec Pty Ltd and controlled entities

**ACN: 150 214 636**

# Directors' Declaration

The directors have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 4 to 21, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards as stated in Note 1; and

   (b) give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the Group 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 ............................................................
Dr Alex Birrell William Highland

Dated 21 August 2018

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF PAFTEC PTY LTD AND CONTROLLED ENTITIES

## Report on the Financial Report

## Opinion

We have audited the accompanying financial report, being a special purpose financial report of PAFtec Pty Ltd and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying report of PAFtec Pty Ltd and controlled entities is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair value of the Group's financial as at 30 June 2018 and its financial performance for the year then ended; and
ii) Complying with Australian Accounting Standards to the extent described in Note 1 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 auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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 PAFtec Pty Ltd and controlled entities, 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 it sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

## Responsibilities of Directors for the Financial Report

The directors of the Group 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

## Responsibilities of Directors for the Financial Report (cont'd)

The directors are responsible for overseeing the Group's financial reporting process.

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 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 the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

PKF

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SCOTT TOBUTT
PARTNER

21 AUGUST 2018
SYDNEY, NSW