ADALTA PTY LTD

ABN 92 120 332 925

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

ADALTA PTY LTD

FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2015

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ADALTA PTY LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015 $	2014 $
Revenue	2	827,928	744,736
Less: Expenses			
Cost of Services		(1,712,080)	(1,564,842)
Depreciation expense		(723)	(1,115)
Employee benefit expense		(203,007)	(211,715)
Travel expenses		(47,728)	(60,114)
Board fees		(52,032)	(53,333)
Patent and legal costs		(83,837)	(45,306)
Other expenses		(108,842)	(57,143)
Loss before income tax		(1,380,321)	(1,248,832)
Income tax expense		-	-
Net loss		(1,380,321)	(1,248,832)
Other Comprehensive income		-	-
Total comprehensive (loss) attributable to members		(1,380,321)	(1,248,832)

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 2015

	Note	2015 $	2014 $
Current Assets			
Cash and cash equivalents	3	34,864	382,302
Trade and other receivables	4	52,847	75,772
Total Current Assets		87,711	458,074
Non-Current Assets			
Plant and equipment	5	966	1,689
Total Non-Current Assets		966	1,689
TOTAL ASSETS		88,677	459,763
Current Liabilities			
Trade and other payables	6	232,649	264,339
Provisions	7	28,532	22,608
Total Current Liabilities		261,181	286,947
TOTAL LIABILITIES		261,181	286,947
NET (LIABILITIES)/ASSETS		(172,504)	172,816
EQUITY			
Share Capital	8	5,490,277	5,490,277
Share based payment reserve	9	3,908	3,908
Convertible Note	10	1,035,000	-
Accumulated losses		(6,701,689)	(5,321,369)
TOTAL (DEFICIENCY)/EQUITY		(172,504)	172,816

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 2015

	Note	2015 $	2014 $
Cash flow from operating activities			
Receipt from customers		23,158	136,877
Payments to suppliers and employees		(2,224,366)	(2,020,784)
R&D tax incentive		805,942	575,192
Interest received		12,828	18,667
Net cash used in operating activities	11	(1,382,438)	(1,290,048)
Cash flow from investing activities			
Payment for plant and equipment		-	(2,296)
Insurance claim proceeds		-	1,649
Net cash used investing activities		-	(647)
Cash flow from financing activities			
Proceeds from share issue		-	1,097,992
Proceeds from Convertible Note	10	1,035,000	-
Net cash provided by financing activities		1,035,000	1,097,992
Net (decrease) in cash held		(347,438)	(192,703)
Cash at beginning of the financial year		382,302	575,005
Cash at end of financial year	3	34,864	382,302

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

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 2015 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.

NOTE 2 REVENUE

	2015 $	2014 $
Contract research	(374)	74,432
R&D offset	805,942	575,192
Grant income	9,532	76,445
Interest income	12,828	18,667
	827,928	744,736

NOTE 3 CASH AND CASH EQUIVALENTS

Business cheque account	11,840	11,056
Business cash reserve	2,242	178,746
Savings bonus account	20,782	192,500
	34,864	382,302

NOTE 4 TRADE AND OTHER RECEIVABLES

Trade debtors	-	14,000
Prepaid expenses	6,300	-
Other receivables - GST	46,547	61,772
	52,847	75,772

NOTE 5 PLANT AND EQUIPMENT

Office equipment and furniture – at cost	3,952	3,952
Accumulated depreciation	(2,986)	(2,263)
	966	1,689
Computer software	1,241	1,241
Less amortisation and impairments	(1,241)	(1,241)
	-	-
Total plant and equipment	966	1,689

NOTE 6 TRADE AND OTHER PAYABLES

Accruals	229,002	260,729
PAYG payable	3,647	3,610
	232,649	264,339

NOTE 7 PROVISIONS

	2015 $	2014 $
Current		
Provision for annual leave	6,438	8,141
Provision for long service leave	22,094	14,467
	28,532	22,608

NOTE 8 CONTRIBUTED CAPITAL

2,065,000 ordinary shares	2,490,279	2,490,279
2,999,998 preference shares	2,999,998	2,999,998
	5,490,277	5,490,277

NOTE 9 RESERVES

Share option reserve	3,908	3,908

NOTE 10 CONVERTIBLE NOTE

Convertible Note	1,035,000	-

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	(1,380,321)	(1,248,832)
Depreciation	723	1,115
Changes in assets and liabilities:		
(Increase) / decrease in receivables	22,926	(44,727)
Increase / (decrease) in payables	(31,690)	1,655
Increase / (decrease) in provisions	5,924	741
Net cash used in operating activities	(1,382,438)	(1,290,048)

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 $881,139 for the 2015 financial year.

The Company recently drew down the final tranche of the Convertible Note as per Note 10 with an additional $525,000 payable in July 2015.

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 2015.

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 2015 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: 27th July 2015

BUTLER SETTINERI

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 2015, 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 of the Australian Accounting Standards and is appropriate to meet the 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 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 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 professional accounting bodies.

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Auditor's Opinion

In our opinion, the financial report of AdAlta Pty Ltd presents fairly the Company's financial position as at 30 June 2015 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 for the purpose of satisfying the requirements of the Company's investors. As a result, the financial report may not be suitable for another purpose.

BUTLER SETTINERI (AUDIT) PTY LTD
Registered Company Auditor Number 289109

LUCY P GARDNER
Director

Perth
Date: 27 July 2015