1 Company Information

Name of entity:	HYDRIX LIMITED
ABN:	84 060 369 048
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2 Results for announcement to the market

The consolidated entity has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the year ended 30 June 2019. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

				$
Revenues from ordinary activities	up	147.9%	to	14,165,305
(Loss) from ordinary activities after tax attributable to the owners of Hydrix Limited	down	17.0%	to	(4,219,742)
(Loss) for the year attributable to the owners of Hydrix Limited	down	17.5%	to	(4,237,496)

Dividends
The consolidated entity does not propose to pay a dividend.

No dividend or distribution plans are in operation.

Comments
The loss for the consolidated entity after providing for income tax amounted to $4,237,496 (30 June 2018: $5,137,717). The consolidated entity's results for the financial year reflect its significant investment in improving the performance of the Hydrix business and ongoing research and development initiatives.

3 Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.43)	(0.59)

4 Control gained over entities

On 6 March 2019 the company incorporated a subsidiary Hydrix Ventures Pty Ltd. This entity remained dormant during the 2019 financial year.

5 Loss of control over entities

Not applicable.

6 Details of associates and joint venture entities

Not applicable.

7 Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

8 Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the FY2019 Financial Report which accompanies this Appendix 4E.

9 Attachments

Details of attachments (if any):
The audited Financial Report of Hydrix Limited for the year ended 30 June 2019 is attached.

10 Signed

Mr Gavin Coote
Chairman
Melbourne

Date: 30-August-2019

HYDRIX LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

ABN: 84 060 369 048

Contents

General information

The financial statements cover Hydrix Limited as a consolidated entity consisting of Hydrix Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency.

Hydrix Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
30-32 Compark Circuit	30-32 Compark Circuit
Mulgrave VIC 3170	Mulgrave VIC 3170

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2019. The directors have the power to amend and reissue the financial statements.

Directors	Mr Gavin Coote (Chairman) Ms Julie King (Non-Executive Director) Ms Joanne Bryant (Non-Executive Director) Mr Paul Wright (Non-Executive Director)
Company Secretary	Ms Alyn Tai
Registered Office	30-32 Compark Circuit Mulgrave VIC 3170 Phone: (03) 9550 8100
Principal place of business	30-32 Compark Circuit Mulgrave VIC 3170
Share register	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000
Solicitors	Holding Redlich Level 8, 555 Bourke Street Melbourne VIC 3000
Stock Exchange Listing	Hydrix Limited's shares are listed on the Australian Securities Exchange (ASX code: HYD)
Websites	www.hydrix.com
Country of incorporation and domicile	Australia

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Hydrix Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

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

Mr Gavin Coote
Chairman
Appointed as Non-Executive Director 12 January 2017; appointed as Non-Executive Chairman on 28 March 2017

Mr Coote brings 25+ years executive leadership in corporate and financial strategy, and private equity. His experience includes 5 years with PricewaterhouseCoopers in Australia and the USA, a decade in technology mergers & acquisitions, corporate development, and venture investing in the United States, and fifteen years in Australian private equity in various sectors healthcare, industrial and residential construction materials, leisure and hospitality, and sports and entertainment.

He has played significant roles in several turnaround and acquisition-led growth strategies culminating in successful trade sales. These include NASDAQ-listed Platinum Technology Inc., where revenues grew from $100 million to over $1 billion in 4 years driven by organic revenue growth and 40+ acquisitions, and eventually sold to CA Technologies for $3.5 billion, and several above-average SME private-equity exits.

Gavin has a Bachelor of Economics & Politics (Accounting) from Monash University, a Masters of Business Administration from University of Michigan, and is a Graduate of the Australian Institute of Company Directors.

Ms Julie King
Non-Executive Director
Appointed 28 March 2017

Ms King holds a Bachelor of Commerce degree from the University of Melbourne. With 40 years' experience in various industries including utilities, maritime, airline, banking and FMCG, she is a specialist in commercial negotiations and leading high performance leadership and culture programs. Ms King currently operates a private philanthropic family Foundation and is a Graduate of the Australian Institute of Company Directors.

Ms Joanne Bryant
Non-Executive Director
Appointed 29 November 2016

Ms Bryant brings more than 40 years' of experience in the health sciences as an occupational therapist, trainer and vocational specialist. Currently, she is using this expertise to provide forensic opinion as a vocational specialist to the Victorian court system in addition to running a small clinical practice. She has worked for many years as an approved Rehabilitation Provider, providing injury management services to both Commonwealth and State organisations. Ms Bryant is a Member of the Australian Association of Occupational Therapists and a member of the GriefLine Board. She also manages a small privately owned investment company.

Mr Paul Wright
Non-Executive Director
Appointed 8 August 2018

Mr Wright has spent the last 18 years as CEO of three of Australia's leading international technology companies. At ASX-listed Universal Biosensors ("UBI"), Paul built long term partnerships with global diagnostics leaders Siemens Healthcare and Johnson & Johnson, and led the company through a period of strong growth and new product development. Before UBI, Paul was CEO of Invetech (1999-2007), an internationally renowned product design and development company, and Vision BioSystems (2007-2008), the major subsidiary of ASX-listed Vision Systems Limited that developed, manufactured and marketed diagnostic instruments and consumables to pathology laboratories worldwide.

Prior to this, Paul spent over 8 years working in Europe, North America and Asia with corporate strategy consultants Bain & Company, advising multi-national clients on growth strategy, mergers and acquisitions, and manufacturing improvement. As General Manager of Corporate Development at TNT Logistics, Paul played a key role in the development of a major contract logistics business in Asia establishing Joint Venture businesses in China, Malaysia, and Indonesia.

Paul has a Masters Degree in Engineering from the University of Cambridge, has studied corporate finance at the London Business School, and is a Fellow of the Australian Institute of Company Directors.

Company secretary
Ms Alyn Tai LLB (Hons) has held the role of Company Secretary since June 2016. She is a Partner with law firm Holding Redlich specialising in corporate and commercial law, and the provision of company secretarial and legal counsel services to ASX-listed entities.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Board of Directors' Meetings	
Director	**Attended**	**Held**
Mr Gavin Coote	9	9
Ms Julie King	9	9
Ms Joanne Bryant	9	9
Mr Paul Wright	8	8

Held: represents the number of meetings held during the time the director held office.

Interest in the shares and options of the company
At the date of this report, the relevant interests of directors in the company's securities were:

Director	No. of Ordinary Shares	No. of Options	No. of Performance Rights
Mr Gavin Coote (i)	9,714,984	1,250,000	5,000,000
Ms Julie King (ii)	156,393,446	6,250,000	-
Ms Joanne Bryant (iii)	11,362,865	1,250,000	-
Mr Paul Wright (iv)	-	-	-

The directors' relevant interests in the company's securities shown above are as follows:

(i) Mr Gavin Coote has a relevant interest in 9,714,984 fully paid ordinary shares, held by Beachridge Advisory Services Pty Ltd as Trustee for the Coote Family Discretionary Trust.

In addition, Gavin Coote has a relevant interest in 1,250,000 options and 5,000,000 performance rights.

(ii) Ms Julie King has a relevant interest in 156,393,446 fully paid ordinary shares, held by John W King Nominees Pty Ltd; and

In addition, Julie King has a relevant interest in 6,250,000 options.

(iii) Ms Joanne Bryant has a relevant interest in 11,362,865 fully paid ordinary shares, which are held as follows:

a. 6,127,865 fully paid ordinary shares are held by ELG Nominees Pty Ltd as trustee for The Gude Family No. 2 A/C
b. 3,810,000 fully paid ordinary shares are held by ELG Nominees Pty Ltd
c. 1,425,000 fully paid ordinary shares are held by JBB Superannuation Pty Ltd as trustee for the JBB Super Fund A/C

In addition, Joanne Bryant has a relevant interest in 1,250,000 options.

(iv) Mr Paul Wright does not have a relevant interest in any fully paid ordinary shares, options or performance rights.

Principal activities
The activities of the consolidated entity during the half year were principally that of providing engineering design and development services to customers in the medical, consumer, industrial, mining and defence industries assisting them to develop and commercialise technologies.

The business offers a comprehensive range of engineering services including software, electronics, mechanical, industrial design, regulatory and other services. It provides product development and commercialisation services that range from applied research through all stages of engineering design, development, prototyping, manufacturer management, certification process management and supply for global markets.

The consolidated entity's headquarters are located in the University and technology innovation hub of Mulgrave, Victoria. It currently has 81 employees plus specialist contractors.

Dividends
No dividends have been paid or declared since the start of the period and the Directors do not recommend the payment of a dividend in respect of the period.

Review of operations

The consolidated entity delivered record revenues of $14,165,305 for a year on year increase of 147.9% and the business's first ever quarterly profit, reporting a 30 June quarter cash operating profit of $429,288. Since the acquisition of Hydrix Group in November 2017 and ceasing to be an early stage research and development company, the business transformation programs implemented have significantly grown the revenues and scale of the business, and improved operating margins and billable utilisation on fee-for-services provided.

The consolidated entity re-branded from Panorama Synergy Limited ("PSY") to Hydrix Limited ("HYD") and changed its ASX ticker symbol. These changes reflect the revised business strategy articulated to shareholders at the beginning of fiscal 2019. Hydrix designs, develops and engineers, under fee-for-services customer contract arrangements, innovative and often first-of-type technologies. These technologies are developed for and sold by our customers in diverse sectors including medical, consumer, industrial, mining and critical systems in rail, defence and homeland security. These large, global and strong performing market sectors provide growth opportunities and ongoing demand for the consolidated entity's services.

Hydrix's broad engineering skills mix and experience are not easily replicated. Combined they create a distinctive competitive market advantage which is very attractive to global customers. Through the engagement of Hydrix's engineering and technology commercialisation know-how, customers are able to achieve significant economic advantage from Australian R&D tax incentive schemes and strong foreign currency purchasing power. These factors make Hydrix a very competitive, compelling and collaborative global business partner.

Consistent with our business strategy, we evaluated many buy, build and invest strategic initiatives during the year. We entered into two design services contracts under which we are entitled to earn equity upon achieving certain milestones, which is in addition to fee-for-services revenues earned. These arrangements create alignment throughout the technology development and commercialisation process, and provide potential financial gains from sharing upside which our intellectual property creates for customers.

The operating loss before income tax for the consolidated entity amounted to $3,994,173. This result is a 28% improvement on the prior year (30 June 2018: $5,539,445). Through extensions in shareholder loans and a private placement and share purchase plan in August 2018, the consolidated entity successfully funded working capital requirements and business initiatives.

We were very pleased to announce the appointment of Mr Paul Wright as Non-executive Director in August 2018, who adds significant high technology product, services and manufacturing experience to the Board.

Outlook

The significant improvement in the consolidated entity's financial position, with particular reference to the June quarter result, and expanding business opportunities, position the consolidated entity with strong momentum heading into fiscal 2020. The consolidated entity has a strong pipeline of business and will continue significant business and market development activities to pursue its growth strategy.

Significant changes in the state of affairs

Other than noted under review of operations above, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

During July 2019, a $0.50 million shareholder loan drawdown was made to meet the businesses working capital requirements and support costs associated with evaluating strategic “buy, build, invest” initiatives.

During August 2019, the consolidated entity renegotiated the terms of the loan with a major shareholder. It was agreed that the repayment date for $1.75 million would be extended to 31 December 2020.

Likely developments and expected results of operations

The consolidated entity expects to exceed 15% year on year revenue growth in fiscal 2020 and to deliver a full year cash operating profit (earnings before interest, tax, depreciation, amortisation, and non-cash share based payments).

The consolidated entity will continue to pursue acquisition and investment opportunities which have the potential to increase market share and growth, and which extend the business' core capabilities and customer offer. Areas of focus are within the consolidated entity's experience and know-how developing and commercialising technologies and which have the potential to accelerate shareholder value creation.

The Board continues to consider various options available to further strengthen the balance sheet and adequacy of working capital to support underlying growth. Available options include extending shareholder loans beyond existing maturity dates, recapitalising the shareholder loans, increasing the shareholder loans, leveraging free cash flows generated by the business and accessing the equity capital markets. The Board remains confident the consolidated entity has sufficient capital sources to continue as a going concern and will keep shareholders appropriately apprised.

Environmental regulation

The consolidated entity's operations are subject to environmental regulations under the law of the Commonwealth and State. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

REMUNERATION REPORT (Audited)

The remuneration report details the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.
KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Details of key management personnel
- Remuneration philosophy
- Details of remuneration
- Share-based compensation

Details of Key Management Personnel
(i) Specified Directors
Mr Gavin Coote
Non-Executive Chairman - Appointed 12 January 2017
Ms Julie King
Non-Executive Director - Appointed 28 March 2017
Ms Joanne Bryant
Non-Executive Director - Appointed 29 November 2016
Mr Paul Wright
Non-Executive Director - Appointed 8 August 2018

(ii) Specified Executives
Mr Peter Lewis AM
Chief Executive Officer - Appointed 17 May 2017
Mr Peter Russell
Chief Commercial Officer - Appointed 28 March 2017, Contract expired 30 November 2018

Remuneration Philosophy
The performance of the company depends on the quality of the company's directors, executives and employees and therefore the company must attract, motivate and retain appropriately qualified industry personnel.

The remuneration policy of the company has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the company is as follows:

- The remuneration policy is to be developed and approved by the Board after professional advice is sought from independent external consultants where required.

- All KMP receive a base salary, superannuation, fringe benefits, options (subject to shareholder approval in the case of directors) and performance incentives.

- Performance incentives are only paid once predetermined key performance indicators (KPIs) have been met.

- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

- The Board reviews KMP packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

REMUNERATION REPORT (Audited) (Continued)

The Board has not established a formal remuneration committee, having regard to the size of the company. The Board acknowledges that when the size and nature of the company warrants the necessity of a formal remuneration committee, such a committee will operate under the Remuneration Committee Charter which has been approved and adopted by the Board.

The Board, in performing the function of the remuneration committee, reviews remuneration packages and practices applicable to the senior executives and the Board itself. This role also includes responsibility for share option schemes, incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the progress related to developing and commercialising the technology. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

The employment terms and conditions of KMP are formalised in contracts of employment or consultancy agreements.

In accordance with the company's Constitution, the aggregate remuneration that can be paid to the company's Non-Executive Directors is $500,000 per annum, and the Board determines how this aggregate amount should be divided among individual directors and in what proportions.

Further details of the Key Management Personnel remuneration for the year are detailed in Note 22.

Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at meetings of directors and otherwise in the execution of their duties as directors. A director may also be paid additional amounts as fees or as the directors determine where a director performs extra services or makes any special exertions, which in the opinion of the directors are outside the scope of the ordinary duties of a director.

Details of remuneration
(i) Specified Director Remuneration

Mr Gavin Coote - Non-Executive Chairman
i. Fixed remuneration – The base remuneration is $60,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Mr Coote is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of his duties and responsibilities (and upon production of satisfactory receipts).

Ms Julie King - Non-Executive Director
i. Fixed remuneration – The base remuneration is $48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Ms King is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of her duties and responsibilities (and upon production of satisfactory receipts).

Ms Joanne Bryant - Non-Executive Director
i. Fixed remuneration – The base remuneration is $48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Ms Bryant is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of her duties and responsibilities (and upon production of satisfactory receipts).

Mr Paul Wright - Non-Executive Director
i. Fixed remuneration – The base remuneration is $48,000 per annum (exclusive of GST, but inclusive of any applicable superannuation).

ii. Expenses – Mr Wright is entitled to claim from the company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of his duties and responsibilities (and upon production of satisfactory receipts).

REMUNERATION REPORT (Audited) (Continued)

(ii) Specified Executive Remuneration

Mr Peter Lewis AM - Chief Executive Officer
Remuneration
Fixed remuneration – The base remuneration is $273,973 per annum plus statutory superannuation contributions at 9.5% per annum.

Long term incentives – Mr Lewis has been invited to participate in the Company's long term incentive plan (**LTIP**), under which he is entitled to be issued ordinary shares in the Company subject to his achievement of certain performance hurdles. The performance hurdles include:

- Achievement of financial and non-financial performance measures (as determined by the Board) over the relevant performance period. Financial performance measures are based on revenue and other financial metric targets determined by the Board in respect of each performance period, and non-financial measures will be based on key performance indicators determined by the Board in respect of each performance period; and

- Mr Lewis remaining in the employ of the Group in his role of Chief Executive Officer, or other eligible role as determined by the Board, as at the end of the relevant performance period.

The Board assesses the achievement of the performance hurdles after the end of each applicable performance period on the basis of the Company's audited annual accounts. Where the Board determines that the performance hurdles have not been met, Mr Lewis' entitlement to receive LTIP shares in respect of that performance period will lapse.

Mr Lewis was issued 2,000,000 fully paid ordinary shares under the LTIP in September 2018, following his achievement of performance hurdles in respect of the performance period between his employment commencement date and 30 June 2018.

Mr Lewis is also entitled to be issued the following securities under the LTIP:

- 1,000,000 fully paid ordinary shares where his performance hurdles are achieved in respect of the FY19 performance period; and

- 1,000,000 fully paid ordinary shares where his performance hurdles are achieved in respect of the FY20 performance period.

Termination of employment
i. Mr Lewis' employment may be terminated at any time by the company giving him 3 months' written notice of termination (or payment in lieu of such notice). The company may terminate Mr Lewis' employment immediately in certain circumstances including serious misconduct and material breach of the Agreement. The company may also terminate Mr Lewis' employment if he is incapacitated for an extended period.

ii. Mr Lewis may terminate his employment at any time by giving the company 3 months' written notice of termination.

Non-competition and non-solicitation
Mr Lewis must not, during his engagement, except with the written consent of the company, engage in (directly or indirectly) any undertaking or business of a similar nature to, or in competition with, the business of the company. In addition, certain restraints apply to Mr Lewis after termination of his engagement with the company for any reason, including that for a period of 12 months post termination, Mr Lewis may not be involved in any business activities in Australia which are in competition with the company's activities.

Engagement of remuneration consultants
During the financial year no external consultants were engaged to review the remuneration and provide recommendations relating to KMP.

REMUNERATION REPORT (Audited) (Continued)

Remuneration details for the year ended 30 June 2019
The following tables detail, in respect to the financial year, the components of remuneration for each member of KMP of the company:

Table of benefits and payments for the year ended 30 June 2019

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	Equity-settled options	Total
	$	$	$	$	$	$	$
Directors							
Mr Gavin Coote[1]	60,000	132,065	-	-	229,336	-	421,401
Ms Julie King	48,000	-	-	-	-	-	48,000
Ms Joanne Bryant	48,000	-	-	-	-	-	48,000
Mr Paul Wright[2]	40,183	-	3,817	-	-	-	44,000
Other KMP							
Mr Peter Lewis AM	273,973	-	26,027	4,579	76,000	-	380,579
Mr Peter Russell[3]	66,474	-	5,858	-	-	-	72,333
Total	536,630	132,065	35,703	4,579	305,336	-	1,014,313

[1] Non-salary short-term benefits relate to professional fees payable to Mr Gavin Coote for consultancy and advisory work performed by him outside the scope of his role as director; the fees are at arm's length rates agreed by the Board.
[2] Mr Paul Wright was appointed to the board on 8 August 2018.
[3] Mr Peter Russell's contract for his role as General Manger, Commercial expired effective 30 November 2018.

Table of benefits and payments for the year ended 30 June 2018

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
	Salary	Fees	Super-annuation	Long Service Leave	Equity-settled shares	Equity-settled options	Total
	$	$	$	$	$	$	$
Directors							
Mr Gavin Coote[1]	60,000	139,955	-	-	480,664	-	680,619
Ms Julie King[2]	-	-	-	-	-	-	-
Ms Joanne Bryant[3]	-	-	-	-	-	-	-
Other KMP							
Mr Peter Lewis AM	273,973	-	26,027	2,538	-	-	302,538
Mr Peter Russell	-	240,000	-	-	-	-	240,000
Total	333,973	379,955	26,027	2,538	480,664	-	1,223,157

[1] Non-salary short-term benefits relate to professional fees payable to Mr Gavin Coote for consultancy and advisory work performed by him outside the scope of his role as director; the fees are at arm's length rates agreed by the Board.
[2] Directors' fees were waived during during the year ended 30 June 2018.
[3] Directors' fees were waived during during the year ended 30 June 2018.

REMUNERATION REPORT (Audited) (Continued)

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Directors						
Mr Gavin Coote	21%	11%	-	-	79%	89%
Ms Julie King	100%	N/A	-	-	-	-
Ms Joanne Bryant	100%	N/A	-	-	-	-
Mr Paul Wright	100%	N/A	-	-	-	-
Other KMP						
Mr Peter Lewis AM	78%	100%	-	-	22%	-
Mr Peter Russell	100%	100%	-	-	-	-

Share-based compensation

Issue of shares

Details of shares issued to directors and other KMP as part of compensation during the year ended 30 June 2019 are set out below:

Name	Date	Shares	Issue Price	$
Mr Gavin Coote	24-Sep-18	5,000,000	$0.07	$355,000
Mr Peter Lewis AM	24-Sep-18	2,000,000	$0.04	$76,000
Mr Peter Russell	24-Sep-18	613,261	$0.10	$60,000

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of performance rights granted	Grant date	Vesting date & exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Mr Gavin Coote	5,000,000	12-Dec-17	30-Jun-19	30-Jun-20	$0.00	$0.07

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the consolidated entity for the five years ended 30 June 2019 are summarised below:

	2019 $	2018 $	2017 $	2016 $	2015 $
Revenue	14,165,305	5,715,182	793,258	98,464	170,279
(Loss) before tax	(3,994,173)	(5,539,445)	(4,375,949)	(4,880,714)	(4,382,249)
(Loss) after tax	(4,219,742)	(5,080,967)	(4,375,949)	(4,880,714)	(4,020,406)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2019	2018	2017	2016	2015
Share price at financial year end ($)	$0.022	$0.047	$0.038	$0.100	$0.130
Total dividends declared (cents per share)	$0.00	$0.00	$0.00	$0.00	$0.00
Basic loss per share (cents per share)	(0.65)	(0.94)	(0.86)	(0.96)	(0.82)
Diluted loss per share (cents per share)	(0.65)	(0.94)	(0.86)	(0.96)	(0.82)

Additional disclosures relating to KMP

Shareholding

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals / Other	Balance at the end of the year
Mr Gavin Coote	2,214,984	5,000,000	2,500,000	-	9,714,984
Ms Julie King	118,838,359	-	37,555,087	-	156,393,446
Ms Joanne Bryant	8,862,865	-	2,500,000	-	11,362,865
Mr Paul Wright	-	-	-	-	-
Mr Peter Lewis AM	-	2,000,000	-	-	2,000,000
Mr Peter Russell	3,791,926	613,261	15,000,000	-	19,405,187
	133,708,134	**7,613,261**	**57,555,087**	**-**	**198,876,482**

REMUNERATION REPORT (Audited) (Continued)

Performance rights holding
The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties is set out below:

	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
Mr Gavin Coote	10,000,000	-	5,000,000	-	5,000,000
Ms Julie King	-	-	-	-	-
Ms Joanne Bryant	-	-	-	-	-
Mr Paul Wright	-	-	-	-	-
Mr Peter Lewis AM	-	-	-	-	-
Mr Peter Russell	-	-	-	-	-
	10,000,000	-	5,000,000	-	5,000,000

This concludes the remuneration report, which has been audited

Shares under option / performance rights
At the date of this report, there were 36,425,000 options and 5,000,000 performance rights to acquire ordinary shares of the company as follows:

Class of Unlisted Options	Note	Exercise Price	Vesting Date	Expiry Date	Grant Date	Fair Value at Grant Date	Balance at 30 June 2019	Balance at Date of this Report
Class 3 options	**(i)**	$0.40	5-Sep-18	5-Sep-19	5-Sep-16	$0.030	5,175,000	5,175,000
Performance rights	**(ii)**	$0.00	30-Jun-19	30-Jun-20	12-Dec-17	$0.071	5,000,000	5,000,000
Attaching options	**(iii)**	$0.08	7-Aug-18	31-Jul-20	7-Aug-18	$0.011	22,500,000	22,500,000
Attaching options	**(iv)**	$0.08	9-Nov-18	31-Jul-20	9-Nov-18	$0.008	8,750,000	8,750,000

(i) On 5 September 2016, 6,800,000 Class 3 Options were issued under the ESOP, and subsequently 1,625,000 were forfeited due to failure to meet vesting conditions.

(ii) On 12 December 2017, 5,000,000 Performance Rights were issued under the LTIP.

(iii) On 7 August 2018, 22,500,000 Attaching Options were issued under the Placement as announced by the consolidated entity on 31 July 2018.

(iv) On 9 November 2018, following shareholder approval at the AGM held on 25 October 2018, 8,750,000 Attaching Options were issued to Directors under the Placement as announced by the consolidated entity on 31 July 2018.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related entity or in the interest issue of any other registered scheme. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

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

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

Indemnity and insurance of auditor
To the extent permitted by law, the company has agreed to indemnify its auditors, RSM Australia Partners, as part of the terms of its audit engagement agreement against claims made by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify RSM Australia Partners during or since end of the financial year.

The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

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

Non-audit services
No non-audit services have been proivded by the consolidated entity's auditor, RSM Australia Partners.

Rounding of amounts
The company is of a kind referred to in *Corporations Instrument 2016/191,* issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor’s Independence Declaration
A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

On behalf of the directors

Mr Gavin Coote
Chairman
30-August-2019
Melbourne

RSM Australia Partners
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PO Box 248 Collins Street West VIC 8007
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hydrix Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

R B MIANO
Partner

Dated: 30 August 2019
Melbourne, Victoria

Hydrix Limited
Consolidated Statement of Profit & Loss and Other Comprehensive Income
For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue			
Revenue	**3**	14,150,353	5,708,162
Interest revenue		14,952	7,019
		14,165,305	**5,715,182**
Operating expenses			
Employee benefits expense	**4**	(10,284,158)	(6,259,760)
Depreciation and amortisation expense	**4**	(691,596)	(445,896)
Impairment of receivables		(64,158)	-
Selling, advertising and distribution expenses		(70,221)	(37,017)
Rental expense		(829,479)	(552,993)
Share based payment expenses	**28**	(612,546)	(714,847)
Research and development expenses		(100,648)	(197,922)
Project material expenses		(2,377,798)	(419,718)
Finance costs	**4**	(465,921)	(130,972)
Other expenses	**4**	(2,662,953)	(2,495,501)
		(18,159,478)	**(11,254,627)**
Loss before income tax expense		**(3,994,173)**	**(5,539,445)**
Income tax (expense)/ benefit	**5**	(225,569)	458,478
Loss after income tax expense		**(4,219,742)**	**(5,080,967)**
Other comprehensive income	**17**	(17,754)	(56,750)
Total comprehensive loss for year attributable to the Owners of Hydrix Limited		**(4,237,496)**	**(5,137,717)**
Loss per share			
Basic and diluted earnings per share	**27**	$ (0.65)	$ (0.94)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Hydrix Limited
Consolidated Statement of Financial Position
As at 30 June 2019

	Note	2019	2018 Restated
		$	$
Current assets			
Cash and cash equivalents	6	234,627	160,148
Trade and other receivables	7	5,798,196	1,725,194
Contract assets		851,516	251,512
Other financial assets		-	25,000
Prepayments		171,401	131,012
Total current assets		**7,055,740**	**2,292,866**
Non-current assets			
Financial assets at fair value through other comprehensive income		399,312	34,262
Deferred tax assets	5	346,727	572,296
Plant and equipment	8	594,142	699,531
Intangible assets	9	3,996,123	4,299,106
Other		567	-
Security deposits		419,177	419,177
Total non-current assets		**5,756,048**	**6,024,372**
Total Assets		**12,811,788**	**8,317,238**
Current liabilities			
Trade and other payables	10	2,010,866	1,277,434
Contract liabilities	11	2,835,962	331,084
Borrowings	15	4,230,445	3,250,000
Employee benefits	13	583,925	582,062
Other liabilities	12	412,195	144,794
Total current Liabilities		**10,073,393**	**5,585,374**
Non-current liabilities			
Employee benefits	13	228,744	218,126
Provisions	14	180,854	161,632
Other liabilities	12	1,192,289	1,396,227
Total non-Current Liabilities		**1,601,887**	**1,775,985**
Total Liabilities		**11,675,280**	**7,361,359**
Net Assets		**1,136,508**	**955,879**
Equity			
Issued capital	16	79,276,500	75,029,466
Financial assets at fair value asset reserve	17	(31,529)	(13,775)
Share based payments reserves	17	841,966	1,244,036
Accumulated losses	18	(78,950,429)	(75,303,848)
Total Equity		**1,136,508**	**955,879**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Hydrix Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2019

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2017	70,208,830	1,308,664	(70,959,381)	558,113
Loss after income tax expense for the year	-	-	(5,080,967)	(5,080,967)
Other comprehensive income, net of tax	-	(56,750)	-	(56,750)
Total comprehensive income for the year	-	(56,750)	(5,080,967)	(5,137,717)
Transactions with owners in their capacity as owners:				
Share based payments	-	714,847	-	714,847
Exercised options / performance rights	-	-	-	-
Expired options	-	(736,500)	736,500	-
Contributions of equity, net of transaction costs	4,820,636	-	-	4,820,636
Balance at 30 June 2018	**75,029,466**	**1,230,261**	**(75,303,848)**	**955,879**

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2018	75,029,466	1,230,261	(75,303,848)	955,879
Loss after income tax expense for the year	-	-	(4,219,742)	(4,219,742)
Other comprehensive income, net of tax	-	(17,754)	-	(17,754)
Total comprehensive income for the year	-	(17,754)	(4,219,742)	(4,237,496)
Transactions with owners in their capacity as owners:				
Share based payments	76,000	536,546	-	612,546
Exercised options / performance rights	365,455	(365,455)	-	-
Expired options	-	(573,161)	573,161	-
Contributions of equity, net of transaction costs	3,805,579	-	-	3,805,579
Balance at 30 June 2019	**79,276,500**	**810,437**	**(78,950,429)**	**1,136,508**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Hydrix Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash Flows from operating activities			
Receipts from customers (including GST)		12,417,520	5,394,106
Payments to suppliers and employees (including GST)		(17,339,871)	(9,446,457)
Interest received		14,842	2,481
Interest and other finance costs paid		(97,496)	(120,921)
Other income		-	73,375
Income tax receipt (R&D tax incentive)		807,981	288,144
Net cash used in operating activities	**20**	**(4,197,025)**	**(3,809,272)**
Cash Flows from Investing Activities			
Payments for purchase of business, net of cash acquired		-	(20,335)
Payments for investments		(3,333)	
Payments for plant and equipment		(47,859)	(177,194)
Proceeds from sale of investments		-	1,700
Proceeds from sale of plant and equipment		-	2,200
Proceeds from release of security deposits		25,000	-
Net cash used in investing activities		**(26,192)**	**(193,629)**
Cash Flows from financing activities			
Proceeds from issue of shares		2,772,500	-
Proceeds from borrowings		1,775,000	3,250,000
Share issue transaction costs		(249,804)	-
Net cash flow from financing activities		**4,297,696**	**3,250,000**
Net increase in cash and cash equivalents		74,479	(752,901)
Cash and cash equivalents at start of year		160,148	913,049
Cash and cash equivalents at end of year	**6**	**234,627**	**160,148**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1 General Information

The financial statements cover Hydrix Limited as a consolidated entity consisting of Hydrix Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency.

Hydrix Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue by the Directors of the company on 30 August 2019.

a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets.

Critical accounting estimates

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

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, during the year ended 30 June 2019 the consolidated entity:

• Incurred a net loss after tax of $4,219,742;

• Recorded negative operating cash flows of $4,197,025;

• Had negative working capital of $3,017,653; and

• Had a cash balance of $234,627 and available loan facilities of $544,717

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

In the Directors opinion there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

• The consolidated entity generated earnings before interest, tax, depreciation, amortisation and non-cash share-based payments of $429,288 in the last quarter of the year ended 30 June 2019;

• The consolidated entity successfully raised capital from issuing shares in fiscal 2019. The Directors acknowledge additional funding could be required to meet the consolidated entity's working capital commitments and strategic growth initiatives; and

• The consolidated entity is in discussions to extend its $4,750,000 shareholder loan facilities beyond their current maturity date of 31 December 2019. At the date of this report, a $1,750,000 loan facility has been extended until 31 December 2020. The company is in negotiations with parties to extend the remaining $3,000,000 of shareholder loans before their current maturity date of 31 December 2019. Should these discussions be successful, the negative working capital reported above of $3,017,653 would be recalculated as positive working capital of $1,212,792

Accordingly, the Directors believe that the company and the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company does not continue as a going concern.

b) Parent entity information

In accordance with the *Corporations Act 2001,* these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hydrix Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Hydrix and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

d) Foreign currency translation

The financial statements are presented in Australian dollars, which is Hydrix Limited's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

e) Current and non-current classification

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

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

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

f) Impairment of assets

At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Goods and Services Tax ('GST') and other similar taxes

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

h) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and its impact on adoption is expected to result in total assets increasing by $4,271,863, total liabilities increasing by $4,366,669 and net assets decreasing by $94,806.

2 Critical Accounting Estimates, Assumptions and Judgements

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

(i) Share-based payment transactions
The consolidated entity assesses the fair value of options granted applying the Binomial valuation model. The use of this model requires management to make assumptions regarding key inputs such as risk free rate, share price volatility and time to maturity.

(ii) Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

(iii) Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(iv) Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(v) Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

3 Revenue

	2019 $	2018 $
Revenue from contracts with customers		
Rendering of services	12,320,565	5,351,182
Project materials and travel recovered	858,961	-
Support and maintenance	141,064	-
	13,320,590	5,351,182
Other revenue:		
Research and development tax incentive	807,365	288,144
Grant funding	-	54,583
Rental income	22,250	14,253
Other income	149	-
	829,764	356,980
Revenue from continuing operations	14,150,354	5,708,162

Disaggregation of revenue

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

	2019 $	2018 $
Timing of revenue recognition		
Goods transferred at a point in time	-	-
Services transferred over time	13,320,590	5,351,182
	13,320,590	**5,351,182**

Accounting Policy - Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

(i) *Rendering of services*

Revenue is recognised over time at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

(ii) *Interest*

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

(iii) *Government grants*

R&D tax - incentives receivable will be recognised in profit before tax (in EBIT) during the period in which they are received from the Australian Taxation Office.

(iv) *Other revenue*

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

4 Expenses

(Loss) before income tax includes the following specific expenses:

	2019 $	2018 $
Employee benefits expenses		
Salaries, wages and leave entitlements	9,241,815	5,378,604
Defined contribution superannuation expense	475,445	511,269
Employee on-costs	507,800	323,117
Employee training and development	59,098	46,769
Total employee benefits expenses	**10,284,158**	**6,259,760**
Depreciation		
Plant and equipment	43,995	45,528
Computer equipment	51,481	31,281
Furniture and fixtures	37,249	23,904
	132,725	100,713
Amortisation		
Software - CHEF Framework	446,000	279,819
Customer Contracts & Relationships	67,000	42,036
Software - Other	45,871	23,328
	558,871	345,183
Total depreciation and amortisation expense	**691,596**	**445,896**
Finance costs		
Interest and finance charges paid/payable	465,921	93,472
Unwinding of discount on borrowings	-	37,500
Total finance costs	**465,921**	**130,972**
Other expenses		
Consultancy charges	776,405	880,960
Directors' fees	200,000	60,000
IT related expenses	284,787	225,286
Legal and professional charges	217,237	270,931
Contract labour	106,525	373,852
Travelling costs	207,479	182,162
Bad debts written off	-	165,852
Insurance	92,063	47,149
Administration expenses	778,457	289,310
Total other expenses	**2,662,953**	**2,495,501**

Accounting Policy - expenses

Depreciation
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use.

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

Finance costs
All finance costs are expensed in the period in which they are incurred.

5 Income Taxes

		2019	2018
(a)	***Income tax (expense)/ benefit***	**$**	**$**
	Current income tax		-
	Deferred tax - origination and reversal of temporary differences	(225,569)	994,778
	Adjustment recognised for prior periods	-	
		(225,569)	**994,778**
	Deferred tax included in income tax expense comprises:		
	Increase / (decrease) in deferred tax assets	(78,993)	921,677
	Increase / (decrease) in deferred tax liabilities	(146,576)	(349,381)
	Add / (Less) : Deferred taxes recognised on business combinations	-	422,482
	Deferred tax - origination and reversal of temporary differences	**(225,569)**	**994,778**
	Numerical reconciliation of income tax benefit and tax at the statutory rate		
	Loss before income tax expense	3,994,173	5,539,445
	Tax at the statutory tax rate of 27.50% (Previous year 27.50%)	1,098,398	1,523,347
	Tax effect amounts which are not (deductible) / taxable in calculating taxable income:		
	Share based payments	(168,450)	(196,583)
	Other non allowable items	(1,394)	536,300
	Effect of R&D Rebate @ 43.5% of eligible expenses	(510,403)	(96,152)
	R&D tax incentive income - non assessable	222,025	79,240
	Deferred Tax Asset (DTA) on tax losses not brought to account	(865,745)	(851,374)
		(225,569)	**994,778**
(b)	***Deferred tax assets***		
	The balance comprises temporary differences attributable to:		
	Allowance for expected credit losses	17,643	-
	Provision for annual leave	115,636	131,314
	Provision for long service leave	107,848	88,738
	Lease incentive liability	370,283	514,829
	Accruals	181,539	51,299
	Uearned income	-	91,048
	Lease make-good provision	49,735	44,449
	Total deferred tax assets	**842,684**	**921,677**
(c)	***Deferred tax liabilities***		
	The balance comprises temporary differences attributable to:		
	Work-in-progress	234,167	69,166
	Intangible assets	261,790	280,215
		495,957	**349,381**
	Net deferred tax assets / (liabilities)	**346,727**	**572,296**

		2019	2018
(d)	**Movement in deferred tax assets/(liabilities)**	**$**	**$**
	Opening balance	572,296	-
	Additions through business combinations	-	(422,482)
	Credited to profit and loss	(225,569)	994,778
	Credited to equity	-	-
	Closing Balance	**346,727**	**572,296**

5 Income Taxes (continued)

		2019	2018
(e)	**Deferred tax assets not brought to account at reporting date**	**$**	**$**
	Operating losses	4,880,416	4,385,016
	Capital losses	78,300	78,300

The deferred tax asset not brought to account will only be obtained if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) the company is able to meet the continuity of business and or continuity of ownership tests

Accounting Policy - Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- *When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or*
- *When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.*

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.

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

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

Hydrix Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and the subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

6 Cash and cash equivalents

	2019	2018
	$	**$**
Cash at bank	234,625	159,620
Cash on hand	2	528
	234,627	**160,148**

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	234,627	160,148
Balance as per statement of cash flows	234,627	160,148

Accounting policy - Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7 Trade and other receivables

Current	2019 $	2018 $
Trade receivables	5,845,737	1,697,175
Less: Allowance for expected credit losses (30 June 2018: Provision for impairment of receivables)	(64,158)	-
	5,781,579	1,697,175
GST receivable	16,381	27,514
Other receivables	236	505
	5,798,196	**1,725,194**

Allowance for expected credit losses

The consolidated entity has recognised a loss of $64,158 in profit or loss in respect of the expected credit losses for the year ended 30 June 2019 (30 June 2018: NIL).

The aging of the receivables and allowance for expected credit lossess provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $	Allowance for expected credit losses 2018 $
Not overdue	1%	3,290,969	38,805
0 to 3 months overdue	0%	2,443,122	-
3 to 6 months overdue	25%	101,200	25,300
Over 6 months overdue	1%	10,446	52
		5,845,737	**64,158**

Accounting policy - Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

8 Plant and Equipment

	2019	2018
	$	$
Plant and equipment		
At cost	414,898	409,366
Less accumulated depreciation	(128,106)	(84,261)
	286,792	325,105
Computer equipment		
At cost	137,013	115,359
Less accumulated depreciation	(82,762)	(31,281)
	54,251	84,078
Furniture and fixtures		
At cost	314,252	314,252
Less accumulated depreciation	(61,153)	(23,904)
	253,099	290,348
	594,142	**699,531**

Reconciliations

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

	Plant & Equipment	Computer Equipment	Furniture & Fixtures	Total
	$	$	$	$
Balance as at 1 July 2017	283,537	-	-	283,537
Additions through business combinations	58,587	75,241	314,252	448,080
Additions	38,301	40,118	-	78,419
Disposals	(9,792)	-	-	(9,792)
Depreciation expense	(45,528)	(31,281)	(23,904)	(100,713)
Balance as at 30 June 2018	**325,105**	**84,078**	**290,348**	**699,531**
Balance as at 1 July 2018	325,105	84,078	290,348	699,531
Additions	5,682	21,705	-	27,387
Disposals	-	(51)	-	(51)
Depreciation expense	(43,995)	(51,481)	(37,249)	(132,725)
Balance as at 30 June 2019	**286,792**	**54,251**	**253,099**	**594,142**

Accounting Policy - Plant and equipment

The useful lives adopted for each class of depreciable assets are:

Class of Fixed Asset	*Useful lives*
Plant and equipment	*2 to 5 years*
Computer equipment	*3 to 4 years*
Furniture and fixtures	*10 to 15 years*
Leasehold improvements	*Over the initial period of the lease*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(l) for details of impairment). The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

9 Intangible assets

The value of Goodwill has been restated, decreasing by an amount of $536,300 as identified in the adjustments pursuant to business combinations disclosure (note 29).

	2019	2018 Restated
	$	$
Goodwill	1,269,400	1,269,400
Less: Impairment	-	-
	1,269,400	1,269,400
Software - at cost	100,455	83,889
Less: Accumulated amortisation	(69,199)	(23,328)
	31,256	60,561
Brand Name	525,000	525,000
Less: Impairment	-	-
	525,000	525,000
Customer Contracts & Relationships	536,000	536,000
Less: Accumulated amortisation	(109,036)	(42,036)
	426,964	493,964
Software - CHEF Framework	2,469,322	2,230,000
Less: Accumulated amortisation	(725,819)	(279,819)
	1,743,503	1,950,181
	3,996,123	**4,299,106**

Reconciliations

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

	Goodwill	Software	Brand Name	Cust. Contracts	CHEF	Total
	$	$	$	$	$	$
Balance as at 1 July 2017	-	-	-	-	-	-
Additions through business combinations	1,269,400	-	525,000	536,000	2,230,000	4,560,400
Additions	-	83,889	-	-	-	83,889
Amortisation expense	-	(23,328)	-	(42,036)	(279,819)	(345,183)
Balance as at 30 June 2018	1,269,400	60,561	525,000	493,964	1,950,181	4,299,106
Balance as at 1 July 2018	1,269,400	60,561	525,000	493,964	1,950,181	4,299,106
Additions	-	16,566			239,322	255,888
Amortisation expense	-	(45,871)	-	(67,000)	(446,000)	(558,871)
Balance as at 30 June 2019	**1,269,400**	**31,256**	**525,000**	**426,964**	**1,743,503**	**3,996,123**

Impairment testing

Brand Name and Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	2019	2018
	$	$
Engineering - Hydrix Services Pty Ltd	1,794,400	1,794,400

The recoverable amount of the consolidated entity's goodwill and indefinite life intangible asset (Brand) has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate, together with a terminal value.

9 Intangible assets (continued)

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model for the engineering services division:

Item	Assumption	Rationale
Revenue Growth Rates – FY 2020 onwards	Per Budget	Based on existing contracts and proposals in various stages of negotiation
Revenue Growth Rates – FY 2021 onwards	10% p.a annual average growth	The 'buy, build, invest' strategy is expected to increase both the scale of the services business and generate other revenue streams
Expenditure Growth Rates – FY 2020 onwards	Per approved budget	In line with expected margins
Expenditure Growth Rates – FY 2021 onwards	5% p.a annual average growth	The business has existing capacity to deliver increased revenues without adding significant costs. Managements estimate also takes into account the prevailing interest rate and efforts to contain costs.
Years forecasted	5 years	5 years as per recommended length of time per AASB136
Tax Rate	27.50%	Base rate entity company tax rate
Working Capital	22% of revenues	Average working capital required
Discount Rate	16.9% post-tax	Management's estimate of the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements

Sensitivity
As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill and other indefinite life intangible assets. Should these judgements and estimates not occur, the resulting goodwill carrying amount may decrease. The sensitivities are as follows: (a) Revenue would need to decrease by more than 5.6% for the engineering services division before goodwill would need to be impaired, with all other assumptions remaining constant. (b) The discount rate would be required to increase by 42.9% for the engineering services division before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of engineering services division's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of engineering services division's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Accounting Policy - Intangible assets

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

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.

Brand Name
The Hydrix brand name is thought to have an infinite life and is not amortised. Instead, the brand is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on the brand are taken to profit or loss are are not subsequently reversed.

Software (including CHEF)
Significant costs associated with the Common Hydrix Embedded Framework (CHEF) software are deferred and amortised on a straight-line basis over a period of 5 years given its assumed amortisation rate of 20%. Other software costs are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 years.

10 Trade and other payables

	2019	2018
	$	$
Trade payables	763,609	726,085
Other payables	819,682	361,896
Accrued liabilities	427,575	189,453
	2,010,866	**1,277,434**

Accounting poilicy - Trade and other payables

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

11 Contract liabilities

	2019	2018
Current	$	$
Contract liabilities	**2,835,962**	**331,084**

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $2,835,962 as at 30 June 2019 (30 June 2018: $331,084) and is expected to be recognised as revenue in future periods as follows:

	2019	2018
Consolidated	$	$
Within 6 months	1,563,235	331,084
6 to 12 months	1,090,909	-
12 to 18 months	181,818	-
18 to 24 months	-	-
	2,835,962	**331,084**

Accounting Policy - contract liabilities

Contract liabilities

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

12 Other liabilities

	2019	2018
	$	$
Current		
Customer deposits	258,000	30,000
Lease incentive liability	154,195	114,794
	412,195	**144,794**
Non - Current		
Lease incentive liability	1,192,289	1,396,227
	1,192,289	**1,396,227**

Accounting Policy - other liabilities

Lease incentive liability

The aggregate benefits of lease incentives receivable under the agreement for lease of premises is recognised as reduction of rental expense over the lease term, on a straight-line basis. The liability as at reporting date represents lease incentives pertaining to the unexpired period of lease.

13 Employee benefits

	2019 $	2018 $
Current		
Annual leave	420,493	477,506
Long service leave	163,432	104,556
	583,925	**582,062**
Non - current		
Long service leave	228,744	218,126
	228,744	**218,126**

Accounting Policy - Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, annual leave and long service leave which are expected to be settled within 12 months of the reporting date and which the entity does not have a conditional right to defer settlement beyond 12 months, are recognised as part of provisions in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

14 Provisions

	2019 $	2018 $
Non - current		
Lease make-good provision	180,854	161,632
	180,854	**161,632**

Lease make good provision
The provision represents the present value of the estimated costs to make good the Mulgrave premises leased by the consolidated entity expiring in the year 2025 with options to extend to two further terms of four years each.

Movements in provisions
Movements in the lease make-good provision during the current financial year, other than employee benefits, are set out below:

Consolidated	2,019 $	2,018 $
Carrying amount at the start of the year	161,632	-
Additions through business combinations	-	160,015
Additional provisions recognised	19,222	1,617
Unused amounts reversed	-	-
Carrying amount at the end of the year	**180,854**	**161,632**

15 Borrowings

	2019	2018
Current	**$**	**$**
Shareholder loans	4,205,283	3,250,000
BOQ Finance	25,162	-
	4,230,445	**3,250,000**

Refer to note 21 for further information on financial instruments.

Total secured liabilities including assets pledged as security

An unsecured loan facility of $1,750,000 with a 10% p.a. interest rate has been provided by a major shareholder. As at 30 June 2019, $1,250,000 was drawn down on this facility. The loan was originally repayable on 31 December 2019 or such later date as agreed by the parties.

Subsequent to the end of the financial year the maturity date of the above loan facility was extended to 31 December 2020.

A separate loan facility of $2,000,000 has been provided to the company by a shareholder, in order to fund the company's acquisition of the business assets of Hydrix Services Pty Ltd. As at 30 June 2019, $44,717 remained available under this loan facility for potential working capital requirements. The loan is secured over the assets of the Hydrix Services subsidiary and is guaranteed by Hydrix Limited. The loan facility has an interest rate of 11% p.a. and is repayable on 31 December 2019 or such later date as agreed by the parties.

During the financial year a seperate unsecured loan facility of $1,000,000 with a 10% p.a. interest rate was provided by a shareholder. As at 30 June 2019, this loan was fully drawn. This loan is repayable on 31 December 2019 or such later date as agreed by the parties.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2019	2018
	$	**$**
Total facilities		
Shareholder loans	4,750,000	4,000,000
Used at the reporting date		
Shareholder loans	4,205,283	3,250,000
Unused at the reporting date		
Shareholder loans	544,717	750,000

Accounting Policy - Borrowings

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

16 Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $	2018 $
a) Ordinary shares - fully paid	669,328,459	562,197,698	79,276,500	75,029,466

Movements in ordinary share capital

	Date	Shares	Issue price	$
Balance	1-Jul-17	506,190,788		70,208,830
Issue of shares to KMP	9-Oct-17	2,158,395	$0.047	101,315
Issue of shares towards Business Combination	13-Nov-17	50,000,000	$0.090	4,500,000
Issue of shares to KMP	12-Dec-17	2,214,984	$0.049	109,398
Issue of shares to KMP	22-Jun-18	1,633,531	$0.086	140,000
Share issue transaction costs, net of tax		-		(30,077)
Balance	30-Jun-18	562,197,698		75,029,466
Issues of shares under Placement	7-Aug-18	45,000,000	$0.040	1,800,000
Issues of shares under Placement	28-Aug-18	9,312,500	$0.040	372,500
Issue of shares to KMP	24-Sep-18	5,000,000	$0.071	355,000
Issue of shares to KMP	24-Sep-18	2,000,000	$0.038	76,000
Issue of shares to KMP in lieu of cash payments	24-Sep-18	613,261	$0.098	60,000
Issues of shares to KMP under Placement	9-Nov-18	45,000,000	$0.040	1,800,000
Issue of shares to employees under company's LTIP	3-Jun-19	205,000	$0.051	10,455
Share issue transaction costs, net of tax		-		(226,921)
Balance	30-Jun-19	**669,328,459**		**79,276,500**

Ordinary shares

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

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

b) Options issued

	Options
At 1 July 2017	27,350,000
- Options which expired unexercised	(5,000,000)
At the end of the reporting period - 30 June 2018	**22,350,000**
At 1 July 2018	22,350,000
- Options which expired unexercised	(16,175,000)
- Options issued under the Placement	31,250,000
- Options cancelled on failure to meet vesting conditions	(1,000,000)
At the end of the reporting period - 30 June 2019	**36,425,000**

c) Performance rights issued

	Performance rights
At 1 July 2017	-
- Performance rights issued	10,250,000
- Performance rights cancelled on failure to meet vesting conditions	(25,000)
At the end of the reporting period - 30 June 2018	**10,225,000**
At 1 July 2018	10,225,000
- Performance rights issued	-
- Performance rights cancelled on failure to meet vesting conditions	(20,000)
- Performance rights exercised	(5,205,000)
At the end of the reporting period - 30 June 2019	**5,000,000**

Refer to note 28 for share based payments in the current period.

16 Equity - issued capital (continued)

Capital risk management

The Board controls the capital of the consolidated entity in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the consolidated entity can fund its operations and continue as a going concern. The consolidated entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year.

Accounting Policy - Issued Capital

Ordinary shares

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.

17 Equity - reserves

	Consolidated	
	2019	2018
	$	$
Share based payments reserve	841,966	1,244,036
Financial assets at fair value reserve	(31,529)	(13,775)
	810,437	**1,230,261**

Share based payments reserve

The reserve records items recognised as expenses on valuation of employee share options and performance rights.

Financial assets at fair value reserve

The reserve is used to recognise increments and decrements in the fair value of equity instruments through other comprehensive income.

Movement in reserves

Movement in each class of reserve during the current and previous financial year are set out below:

	Share based payments Reserve	Financial assets at fair value Reserve	Total
	$	$	$
Balance at 1 July 2017	1,265,689	42,975	1,308,663
Share based payments	714,847	-	714,847
Loss on sale of investments recognised to profit and loss		(263)	(263)
Removing prior year expired options	(736,500)	-	(736,500)
Cancelled options failing vesting conditions	-	-	-
Performance rights exercised	-	-	-
Revaluation of financial assets at fair value through other comprehensive income	-	(56,487)	(56,487)
Balance at 30 June 2018	1,244,036	(13,775)	1,230,261
Share based payments	612,546	-	612,546
Loss on sale of investments recognised to profit and loss	-	-	-
Removing prior year expired options	(573,161)	-	(573,161)
Cancelled options failing vesting conditions	-	-	-
Performance rights exercised	(441,455)		(441,455)
Revaluation of financial assets at fair value through other comprehensive income	-	(17,754)	(17,754)
Balance at 30 June 2019	**841,966**	**(31,529)**	**810,437**

18 Equity - accumulated losses

	2019	2018
	$	$
Accumulated losses at the beginning of the financial year	(75,303,848)	(70,959,381)
Loss after income tax expense for the year	(4,219,742)	(5,080,967)
Transfer from options reserve to account for expired options	573,161	736,500
Accumulated losses at the end of the financial year	**(78,950,429)**	**(75,303,848)**

19 Commitments

	2019	2018
	$	$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	954,566	922,286
One to five years	4,164,260	4,023,440
More than five years	1,710,336	2,805,722
	6,829,162	**7,751,448**

The consolidated entity holds a non-cancellable property lease in Mulgrave, Victoria expiring in the year 2025 with options to extend to two further terms of four years each.

Other than the above mentioned, there are no capital or other commitments as at reporting date (2018: $7,751,448).

Accounting Policy - Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

20 Reconciliation of loss after income tax to net cash from operating activities

	2019	2018
	$	$
(Loss) after income tax expense for the year	(4,219,742)	(5,080,967)
Adjustments for:		
Income tax expense / (benefit)	225,569	(458,478)
Depreciation and amortisation	691,596	445,896
Net loss on disposal of non-current assets	-	8,055
Net loss on disposal of investments	-	263
Share based payments	612,546	714,847
Unwinding of the discount on provisions	19,222	1,617
Directors and consultant fees paid by issue of ordinary shares	160,000	350,713
Borrowings costs paid by issue of ordinary shares	63,126	-
Interest capitalised	180,283	-
Employee expenses capitalised	(239,322)	-
Services rendered for equity	(379,470)	-
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	(4,073,002)	(22,232)
Decrease/(increase) in contract assets	(600,004)	-
Decrease/(increase) in prepayments	(3,515)	263,759
Decrease/(increase) in other assets	-	(392,952)
Increase/(decrease) in trade and other payables	784,866	(52,038)
Increase/(decrease) in contract liabilities	2,504,878	-
Increase/(decrease) in provisions	75,944	412,245
Net cash from operating activities	**(4,197,025)**	**(3,809,272)**

21 Financial Instruments

Financial risk management objectives
The entity's activities expose it to a variety of financial risks: market risk (consisting of interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. Receivables balances are in general unsecured and non-interest-bearing. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Market risk
Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk. As at 30 June 2019 all borrowings were at fixed rates.

The consolidated entity's shareholder loans outstanding, totalling $4,205,283 (2018: $3,250,000), are interest only loans. Monthly cash outlays of $36,673 (2018: $28,750) are required to service the interest payments. No repayments on the loans are due until 31 December 2019.

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2019	**2018**
	$	**$**
Shareholder loans	544,717	750,000
	544,717	**750,000**

The shareholder facilities may be drawn at any time.

21 Financial Instruments (continued)

2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables		763,609	-	-	-	763,609
Other payables		819,682	-	-	-	819,682
Accrued liabilities		427,575	-	-	-	427,575
Interest-bearing - fixed rate						
Shareholder loans	10.46%	4,205,283	-	-	-	4,205,283
Total non-derivatives		6,216,149	-	-	-	6,216,149
Derivatives						
Foreign exchange contracts		-	-	-	-	-
Total derivatives		-	-	-	-	-

2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables		726,085	-	-	-	726,085
Other payables		361,896	-	-	-	361,896
Accrued liabilities		189,453	-	-	-	189,453
Interest-bearing - fixed rate						
Shareholder loans	7.54%	-	3,250,000	-	-	3,250,000
Total non-derivatives		1,277,434	3,250,000	-	-	4,527,434
Derivatives						
Foreign exchange contracts		-	-	-	-	-
Total derivatives		-	-	-	-	-

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

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

Accounting Policy - Financial instruments

Recognition and Initial Measurement
Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Available-for-sale investments
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period.

(iv) Financial Liabilities
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment
At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

22 Key Management Personnel

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

	Consolidated	
	2019	**2018**
	$	**$**
Short-term employee benefits	536,630	333,973
Fees paid to director	132,065	379,955
Post-employment benefits	35,703	26,027
Long-term benefits	4,579	2,538
Termination payments	-	-
Share-based payments:		
- Expensed during the year	305,336	480,664
- Options cancelled and not vested	-	-
	1,014,313	**1,223,157**

Further information in relation to remuneration paid or payable to each member of the consolidated entity's KMP can be found in the Director's Remuneration Report.

23 Auditors remuneration

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

	Consolidated	
	2019	**2018**
	$	**$**
Audit services - RSM Australia Partners		
Audit or review of the financial statements	63,000	63,000
	63,000	63,000

24 Related party transactions

Parent entity
Hydrix Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the director's report.

Transactions with related parties
The following transactions occurred with related parties:

	2019	**2018**
	$	**$**
Loans received from shareholders	955,283	3,250,000
Interest expenses on loans from shareholders	373,554	91,758

Receivable from and payable to related parties
There were no receivables from / payables to related parties as at reporting date (30 June 2018: Nil)

Loans to/from related parties

Loans from shareholders	4,205,283	3,250,000

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates. Terms of the loans are disclosed in note 15.

25 Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019	**2018**
	$	**$**
(Loss) after income tax	(2,154,708)	(2,813,855)
Total comprehensive income	(2,172,462)	(2,870,605)

Statement of financial position

	Parent	
	2019	**2018**
	$	**$**
Total current assets	58,538	147,753
Total assets	10,243,292	7,192,742
Total current liabilities	561,681	704,641
Total liabilities	4,774,637	3,969,751
Equity		
Issued Capital	79,276,500	75,029,466
Financial assets at fair value asset reserve	(31,529)	(13,775)
Share based payments reserves	841,966	1,244,036
Accumulated losses	(74,618,283)	(73,036,736)
Total Equity	**5,468,655**	**3,222,991**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity, and the subsidiary are not a party to a deed of cross guarantee.

Contingent liabilities
The parent entity has royalty commitments in relation to its technology agreements with the University of Western Australia which are contingent on various future commercialisation outcomes of the technologies.

Capital commitments - Plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

26 Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019	2018
		%	%
Hydrix Services Pty Ltd	Australia	100%	100
Hydrix Ventures Pty Ltd	Australia	100%	-

27 Earnings per share

	Consolidated	
	2019	2018
	$	$
Loss after income tax attributable to the owners of Hydrix Limited	(4,219,742)	(5,080,967)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	645,174,111	540,524,728
Anti-dilutive shares excluded from weighted average number of ordinary shares:		
Options over ordinary shares	36,425,000	22,350,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	645,174,111	540,524,728
	Cents	Cents
Basic and diluted loss per share	(0.65)	(0.94)

Accounting Policy - Earnings per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Panorama Synergy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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

28 Share-based payments

During the year 613,261 shares were issued to Mr Peter Russell in lieu of cash payments for salaries and fees at an average issue price of $0.09784 per share and a total transactional value of $60,000 as identified in the equity - issued capital disclosure (note 16) and the remuneration report in the directors' report.

Recognised share-based payment expenses
The expense recognised from employee services received during the year is shown in the table below:

	Consolidated	
	2019	**2018**
	$	**$**
Expenses arising from equity-settled share-based payment transactions	612,546	714,847

Types of share-based payment plan
Employee Share Option Plan, 'ESOP'
A Long Term Incentive Plan (LTIP) has been established and approved by shareholders where the Company may, at the discretion of the Board, grant options over the ordinary shares of Hydrix Limited to Directors, Executives, contractors and employees of the consolidated entity. The options, issued for nil consideration, are exercisable any time two to three years after the issue date and expire four to five years after the issue date.

The exercise of the options is not subject to any performance conditions other than the employee remaining in the employ of the consolidated entity at the date of exercise. The options cannot be transferred and will not be quoted on the ASX.

The following options were in existence during the 2019 financial year.

Grant date	Expiry date	Exercise price	Balance at the start of the year	Options granted	Options exercised	Options expired	Balance at the end of the year
5-Sep-16	5-Sep-18	$0.20	16,175,000	-	-	(16,175,000)	-
5-Sep-16	5-Sep-19	$0.40	6,175,000	-	-	(1,000,000)	5,175,000
7-Aug-18	31-Jul-20	$0.08	-	22,500,000	-		22,500,000
9-Nov-18	31-Jul-20	$0.08	-	8,750,000	-		8,750,000
			22,350,000	**31,250,000**	**-**	**(17,175,000)**	**36,425,000**

Weighted average remaining contractual life
The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 is 11 months (2018: 6 months)

Range of exercise price
The range of exercise prices for options outstanding at end of the year was $0.08 - $0.40 (2018: $0.20 - $0.40).

The following performance rights were in existence during the 2019 financial year.

Grant date	Vesting date	Exercise price	Balance at the start of the year	Performance rights granted	Performance rights exercised	Performance rights expired/ lapsed	Balance at the end of the year
12-Dec-17	30-Jun-18	$0.00	5,000,000	-	(5,000,000)	-	-
12-Dec-17	30-Jun-19	$0.00	5,000,000	-	-	-	5,000,000
22-Jun-18	9-Mar-19	$0.00	225,000	-	(205,000)	(20,000)	-
			10,225,000	**-**	**(5,205,000)**	**(20,000)**	**5,000,000**

Weighted average remaining contractual life
The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2019 is 1 year (2018: 1 year and one month)

Weighted average fair value
The weighted average fair value of performance rights granted during the year was N/A (2018: $0.071).

For movements in share options during the prior year, refer to note 16.

For the performance rights granted during the current financial year, the fair value at the grant date was equal to the share price.

Accounting Policy - Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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

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

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

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

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

29 Adjustments pursuant to Business Combinations

An error in the calculation of the deferred tax liability on recognition of the CHEF Framework intangible asset was identified and the 30 June 2018 Balance Sheet was restated. The impact of the correction was to increase the balance of Deferred Tax Assets by $536,300 with a corresponding decrease in the balance of Goodwill.

30 Contingent liabilities

The consolidated entity has royalty commitments in relation to its technology agreements with the University of Western Australia which are contingent on various future commercialisation outcomes of the technologies.

31 Events after the reporting period

As at the date of signing these financial statements, the total loans with shareholders are $4.724 Million. The consolidated entity has renegotiated the terms of the loan with a major shareholder. It was agreed that the repayment date for $1.750 Million would be extended to 31 December 2020.

Hydrix Limited
Directors' Declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001.*

Mr Gavin Coote
Chairman
30 August 2019

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INDEPENDENT AUDITOR'S REPORT
To the Members of Hydrix Limited

Opinion

We have audited the financial report of Hydrix Limited (the Company), and its subsidiaries (the Consolidated Entity), which comprises the statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Consolidated Entity 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that during the year ended 30 June 2019, the Consolidated Entity incurred a net loss of $4,219,742, it recorded negative operating cash flows of $4,197,025 and at year-end it had negative working capital of $3,017,653. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of goodwill and intangible assets
Refer to Note 9 in the financial statements</td></tr>
<tr><td>The Consolidated Entity has goodwill of $1.269m and indefinite life intangible assets of $0.5m relating to its acquisition of Hydrix Services Ltd in November 2017.

We identified this area as a Key Audit Matter due to the size of the goodwill and indefinite life intangibles balance, and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to them.

For the year ended 30 June 2019 management have performed an impairment assessment over the balances by:
• calculating the value in use of Hydrix using a discounted cash flow model. This model used cash flows (revenues, expenses and capital expenditure) for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Company's weighted average cost of capital (WACC); and
• comparing the resulting value in use of Hydrix to its respective book value.</td><td>Our audit procedures in relation to management's impairment assessment involved:
• Assessing management's determination of the allocation of goodwill to various CGU's based on the nature of the Consolidated Entity's business and the manner in which results are monitored and reported;
• Assessing the valuation methodology used;
• Challenging the reasonableness of key assumptions including cash flow projections, discount rates, and sensitivities used;
• Checking the mathematical accuracy of the impairment calculations and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and
• Reviewing management's sensitivity analysis on the key assumptions in the impairment model, including the consideration of the available headroom and assessing whether the assumptions had been applied on a consistent basis across each scenario.</td></tr>
</table>

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Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Revenue Recognition Refer to Note 3 in the financial statements	
Revenue recognition was considered a key audit matter. The Consolidated Entity generated income predominately from project revenue totalling $13.4m in the current financial year. Each project may span over a number of financial years, which heightens the risk of misstatement. Furthermore, the terms of each project are unique and have an element of variable consideration. There is a risk that this variable consideration has not been taken into account when recognising revenue. The new accounting standard on revenue, AASB 15 Revenue from Contracts with Customers became effective from 1 July 2018. Where the impact of the adoption of this standard has been assessed as material, a restatement of comparative disclosures is required. The Consolidated Entity adopted the standard for the first time in the half year annual report.	Our audit procedures in relation to the recognition of revenue included: • Assessing whether the Consolidated Entity's revenue recognition policies were in compliance with AASB 15 Revenue from Contracts with Customers; • Performing detailed testing on a sample of live projects as at 30 June 2019 and assessing the allocation of revenue to various elements in the contracts with customers; • Evaluating the operating effectiveness of management's controls related to revenue • recognition; • Performing analytical review and detailed testing of the project revenue; and • Reviewing projects before and after year-end to ensure that revenue is recognised in the correct period.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Hydrix Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

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R B MIANO
Partner

Dated: 30 August 2019
Melbourne, Victoria