

For personal use only

Control Bionics Limited

ABN: 45 115 465 462

Annual Report

For the year ended 30 June 2022

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

CORPORATE DIRECTORY

Directors

Mr Roger David Hawke

Mr Robert William Wong

Mr Peter Shann Ford

Mr Damian Lismore

Mr Lindsay John Phillips

Company secretary

Mr Brett Crowley

Registered office

Suite 5.01, 697 Bourke Road

Camberwell VIC 3124

Australia

Phone +61 3 9897 3576

Principal place of business

Suite 5.01, 697 Bourke Road

Camberwell VIC 3124

Australia

Phone +61 3 9897 3576

Share register

Automic Registry Services

Level 5 126 Phillip Street

Sydney NSW 2000

Phone +61 2 9698 5414

Auditor

BDO Audit Pty Ltd

Level 11, 1 Margaret St

Sydney NSW 2000

Australia

Stock exchange listing

Control Bionics Limited shares are listed on the Australian Securities Exchange (ASX code: CBL)

Website

www.controlbionics.com

Corporate Governance Statement

<https://controlbionics.com/wp-content/uploads/2021/03/201201-Corporate-Governance.pdf>

For personal use only

TABLE OF CONTENTS

Chairman's message	1 - 2
Directors' report	3 - 20
Auditor's independence declaration	21
Annual report	
Consolidated statement of profit or loss and other comprehensive income	23
Consolidated statement of financial position	24
Consolidated statement of changes in equity	25
Consolidated statement of cash flows	26
Notes to financial statements	27 - 68
Directors' declaration	69
Independent auditor's report	70 - 73

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

CHAIRMAN'S MESSAGE

We are pleased to present Control Bionics' second Annual Report as a publicly listed company on the Australian Stock Exchange (ASX).

Most of us take both verbal and non verbal communications for granted in our day to day interactions, but there are a substantial number of people in our communities who are unable to communicate easily due to disease, disability or serious injury.

Control Bionics creates unique technology that enables these people to rejoin their community with the benefit of solutions which enable communications with family, friends, carers, employers and the on-line world. The impact of this technology can not be underestimated and we are proud of the caring team we have in place to deliver these solutions and enhance the lives of so many people.

Our aim is to provide a range of assistive communications solutions to clients around the world, and be a compelling, leading, global player in assistive technology (AT) markets over the coming years delivering growth to the company and its shareholders.

Communications solutions for the disability market are just the first stage for Control Bionics and a rigorous demonstration of the efficacy of our products which are also being adapted for other applications in other medtech and consumer oriented markets.

2022 has been a foundational year for the company as we made the investments in people, products and distribution channels which are required to support our global growth ambitions as the impact of COVID-19 abates and disability markets reopen.

During the year, our key areas of focus have been:

- Delivering life changing communications solutions to clients around the globe, using our unique, market leading NeuroNode technology;
- Investing the funds raised in our 2020 IPO to put in place the global sales and support infrastructure to enable effective product distribution in our key initial markets of Australia, North America and Japan and deliver commensurate growth in revenue over the following years;
- Investing in new product development in both our primary disability focused markets and new medtech and consumer focused markets; and
- managing through the challenges presented by COVID-19 and global supply chain disruptions.

Despite the headwinds created by COVID-19, the company has maintained a strong trajectory of sales growth with a 13% year on year increase in FY22, and have entered into a significant number of equipment rental contracts which will deliver ongoing revenue. We have also seen a substantial growth in both the sales pipeline and client trials which are key leading indicators for revenue growth in FY23.

COVID-19 interrupted our ability to interact with our vulnerable client base, the clinicians who support them, and the majority of healthcare institutions in our key markets and slowed our expected sales growth through FY21 and FY22. This was further exacerbated by the lengthy process to receive cash from Insurance entities from sales in the US market, which in many cases can stretch to 9 months from the start of a user trial. However, these markets have largely reopened and the impacts are abating. We have also added resources to better manage the critical relationship with US Insurers and expedite cash receipts. As a result, we anticipate a return to stronger sales growth and cash collections in FY23.

We have continued to invest in our distribution networks in Australia and North America with direct sales resources located in key population centres, and relationships with relevant medical institutions, specifiers, veterans' affairs groups, rehabilitation service providers, distribution partners and support services.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

CHAIRMAN'S MESSAGE

We now have distribution relationships in Canada with Bridges Canada, and Singapore with DNR Wheels which we expect to grow as the markets open further post COVID-19 restrictions.

We also see Japan as a key market for the company and have developed bespoke products specifically for that market with Japanese language support. We are honoured to be partnering with Double R&D as our main distribution partner in Japan after working diligently with them to localise our flagship NeuroNode Trilogy and software for the Japanese market. We believe there is a significant need for our technology across Japan. Local COVID-19 restrictions have prevented us from visiting Japan until recently, when our company founder Peter Ford travelled to Japan to meet with key local stakeholders, demonstrate our products and gain feedback for development of additional products for the Japanese market.

In addition to the customisation of existing products for new geographic markets, we have also continued our development of new products for both disability related markets and broader medtech and consumer markets.

Over the past year, we have:

- Integrated the recently developed Cosmos Connect device into our product portfolio. This innovative device can be used in conjunction with NeuroNode to control a range of devices, including wheelchairs, dining robots, gaming systems such as Xbox™ and has a range of applications both within and beyond the disability space in which we currently operate.
- Commenced sales of the Uno Touch speech generating device to broaden our product range to other sectors of the disability market.
- Continued the miniaturisation of our core NeuroNode technology with the soft launch of a device that is small enough to be attached to a finger, and is already in use with clients with specific needs.
- Further developed our miniaturised product portfolio to include a range of additional sensors for multiple applications across disability and other medtech and consumer markets.
- Continued development of our unique NeuroNode and Cosmos Connect based wheelchair control system in conjunction with Deakin University, which is currently undergoing comprehensive testing.

Control Bionics continues on a strong path to grow revenue from our market-leading, patented technology and systems globally as well as to further penetrate existing markets in Australia, North America and Japan. We are actively exploring new products, new markets, new distribution channels and licensing/partnership opportunities to extend our portfolio and reach, and deliver more substantial revenue growth over the next several years.

We look forward to enabling more life-changing connections for our clients, their families, friends and support networks in the coming year.

Finally, on behalf of the Board, we congratulate and thank our dedicated and compassionate Control Bionics employees for their outstanding efforts and contributions this year.

Sincerely,



Roger David Hawke, Chairman, 24 August 2022

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

The directors present their report together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Control Bionics') consisting of Control Bionics 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 2022.

Directors names

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

Mr Roger David Hawke

Mr Robert William Wong

Mr Peter Shann Ford

Mr Damian Lismore

Mr Lindsay John Phillips

Principal activities

During the year, the principal activities of the Group continued to be the development, commercialisation and sale of assistive communications technology systems within the disability sector. The Group's core systems include NeuroNode Trilogy and NeuroNode3. These systems allow people with speech and movement difficulties to control a computer for speech generation, electronic communications (e.g. email, social media), entertainment and external control of other devices.

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

Dividends paid, recommended and declared

No dividends were paid during the financial year.

Results

The Loss of the Group for the year after providing for income tax amounted to \$6,101,224 (2021: \$3,550,826).

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Review of operations

The 2022 financial year has been another year of significant advancements for the Group, including an increase in both revenue and in the number of customers using our life changing Control Bionics Trilogy product line.

For the current financial year, the Group reported revenue of \$4,476,213 (2021: \$3,972,119), and a net loss after tax of \$6,101,224 (2021: \$3,550,826 loss).

Key highlights include:

- Revenue Growth - As the headwinds from the Coronavirus pandemic abate and access to clients improves, our sales pipeline has resumed its strong growth, enabling the Group to achieve 13% growth in revenue in financial year 2022.
- Pipeline Growth - improved marketing efforts to increase awareness in existing markets, combined with additional sales and funding resources has grown the sales pipeline and is expected to enable further sales growth in FY23.
- North America - Appointment of a US Country Manager to manage and expand our North American markets.
- Japan - Extensive product and channel development for the Japanese market with sales activity commencing late in the financial year with key local partner Double R&D, and expected to contribute to further revenue growth in FY23.
- Asia - Channel development in other Asian markets, with appointment of our first distributor in Singapore.
- Product Development - The Group has made investments in increasing our product leadership and increasing our range in augmentative and alternative communication (AAC) markets including the Cosmos Connect and UNO Touch devices which were introduced in financial year 2022. The Group continues to develop new products including a wheelchair controller for near autonomous operation in indoor environments.
- Research and Development - The Group made significant in-roads to miniaturising the NeuroNode technology for new applications within AAC markets and new markets outside the disability space. The first iteration of our miniaturized technology is a device that is small enough to be worn on a finger, and is already being used for AAC applications. Further development of a suite of miniaturized devices continues, along with exploration of new market opportunities.
- Licensing - active discussions for licensing our core technology in markets outside our core focus.

As at 30 June 2022, the Group had \$5,214,003 of available cash. Total net cash used in operating activities for the year was \$6,886,935, with expanded operations including investment in key sales, marketing & operational infrastructure and people consistent with our strategy to build a business platform capable of managing a significant increase in turnover.

Customer cash receipts in the year were \$4,464,435, generated from direct and reseller sales activity. The Group continues to remain debt free.

Businesses around the world are operating with continuing uncertainty surrounding COVID-19. The Group continues to adapt and innovate in the way we deliver and serve clinicians and people with speech and movement disabilities.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Significant changes in state of affairs

Other than the developments reported elsewhere in this report, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2022.

Matters subsequent to the end of the financial year

- The impact of the Coronavirus (COVID-19) pandemic is abating, but has an ongoing impact on the business as the sales pipeline can take up to 9 months to convert to revenue due to the lengthy insurance processes in some markets, particularly the USA.
- Global supply chains continue to struggle to meet demands, particularly for electronic components and whilst the company continues to carefully plan and manage its inventory, the impact of a continued shortfall of components is difficult to estimate. At a minimum, this situation is increasing the cost of components, the need to hold additional inventory, and has the potential to disrupt product availability.
- On 25 July, 2022 Peter Ford exercised 3,567,860 options for a cash consideration of \$749,250.

Apart from those matters outlined above, no matters or circumstances have arisen since 30 June 2022 that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

Control Bionics will continue to introduce new commercial models to grow organically and commercialise new technologies that are consistent with the company's vision.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Information on directors

Mr Roger David Hawke

Non-Executive Director and Chairman

Qualifications

BEng, MES, MBA, MAICD

Experience and expertise

Roger has over 35 years of experience in the telecommunications and technology space, having retired after 8 years as CEO & Managing Director of Crown Castle Australia/Axicom, and brings a high level of experience particularly in Technology, Operations, Sales and Management.

Other current directorships

None

Former directorships (last 3 years)

None

Special responsibilities

Member of the Audit & Risk Committee
Chairman of the Nomination & Remuneration Committee

Interest in shares and options

758,478 ordinary shares

Interests in options

None

Contractual rights to shares

None

Mr Robert William Wong

Chief Executive Officer

Qualifications

BB (MK), MBA

Experience

Robert Wong is the Chief Executive Officer for Control Bionics. He holds a Bachelor of Business and an MBA from Melbourne University. Rob has over 25 years of experience with multinational businesses in senior management, marketing, and operational roles. He is also an entrepreneur and angel investor having been involved with several successful technology start-up businesses. He formerly held the position of CEO at AIMIA Digital Industry Association of Australia. Rob joined Control Bionics in early 2017 and he has led the way in developing the latest product, the NeuroNode Trilogy. Rob has spent much of his time with Control Bionics presenting to industry leaders, forming research and development relations, and working hands-on with clients across the world.

Other current directorships

None

Former directorships (last 3 years)

None

Special responsibilities

None

Interest in shares

5,906,294 ordinary shares

Interests in options

None

Contractual rights to shares

None

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Information on directors (Continued)

Mr Peter Shann Ford

Founder & Executive Director

Qualifications

Graduate 10TU Officer Training Unit, 2nd Lieutenant, Australian Army, with 3RAR

Experience

Peter is the Founder and Director of Innovation at Control Bionics Limited. He is a Graduate of 10TU Officer Training Unit, and completed National Service as a 2nd Lieutenant in the Australian Army with 3RAR, before moving to the USA.

After spending three years as a founding programmer at the US Veterans Administration Medical Center Rehabilitation R& D Laboratory in Atlanta - one of the first of its kind in the USA - while a news anchor at CNN and CNN2, Peter began consulting to therapists and disability clients in innovative Assistive Technology, including bionics and robotics.

He was inspired by the potential to help free one of the world's great minds, Professor Stephen Hawking. In 2000, Peter identified that a patient's disabled muscles still emitted small electrical signals that could be used to reliably control basic computer functions. He wrote computer code to develop this, inventing and patenting NeuroSwitch and demonstrated it to Prof. Hawking in Cambridge. From 2002-2007 he Beta- tested evolving prototypes of his coding with Prof. Hawking at Texas A&M University and Cambridge University, and with doctors and their patients and clients in the USA, Australia, and New Zealand. In 2005, with an initial investment from Phoenix Development Fund in Australia, Control Bionics was born.

Other current directorships

None

Former directorships (last 3 years)

None

Special responsibilities

None

Interest in shares

21,258,313 ordinary shares

Interests in options

3,567,860 options (exercised on 25 July 2022)

Contractual rights to shares

None

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Information on directors (Continued)

Mr Damian Lismore	Non-Executive Director
Qualifications	BA (Hons), GAICD, CAANZ, FCA (Ireland)
Experience	Damian has held a number of directorships and has extensive commercial, international and listed company experience (both ASX and NASDAQ), covering many industries including healthcare and technology. In his executive career, he held CEO, CFO and Company Secretarial roles and continues to act as an advisor to CEOs, boards and business owners. Damian joined the Control Bionics Board in September 2020. Damian is currently CFO of Scout Bio Inc, a Frazier Healthcare Partners backed company.
Other current directorships	Non-Executive Director of LBT Innovations Limited (ASX:LBT).
Former directorships (last 3 years)	None
Special responsibilities	Chairman of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	55,000 ordinary shares
Interests in options	None
Contractual rights to shares	None

Mr Lindsay John Phillips	Non-Executive Director
Qualifications	B.Com, CAANZ
Experience	As a highly experienced private equity fund Managing Director and Chairman, Lindsay is a key member of the Control Bionics' leadership team. Lindsay first invested in Control Bionics in 2005. Lindsay was Managing Director of Lazard Australia Private Equity from 2007 to 2012. Since 2012 Lindsay has been Chairman of Phoenix Development Fund and Nightingale Partners. He holds a Bachelor of Commerce from the University of Western Australia and is a member of the Institute of Chartered Accountants of Australia.
Other current directorships	Enprise Group Limited (NZX – ENS) Mayfield Group Holdings Limited (ASX –MYG)
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	18,862,129 ordinary shares
Interests in options	None
Contractual rights to shares	None

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT**Information on directors (Continued)****Company secretary**

Mr Brett Crowley has held the role of Company Secretary since September 2020. Brett is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong. He is a former Senior Legal Member of the NSW Guardianship Tribunal and the NSW Civil and Administrative Tribunal. Brett has extensive ASX-listed company experience. He is currently chairman of Jatcorp Limited (ASX:JAT) and company secretary of three other ASX-listed companies.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

Directors	Directors' meetings		Audit & Risk committee meetings		Nomination & Remuneration committee meetings	
	Attended	Held	Attended	Held	Attended	Held
Mr Roger David Hawke	12	12	4	4	2	2
Mr Robert William Wong	11	12	-	-	-	-
Mr Peter Shann Ford	12	12	-	-	-	-
Mr Damian Lismore	12	12	4	4	2	2
Mr Lindsay John Phillips	11	12	3	4	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel 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:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation;
- Additional information; and
- Additional disclosures relating to key management personnel.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Executive rewards are competitive in the markets in which Control Bionics operates;
- Executive remuneration has an appropriate balance of fixed and at risk reward;
- Remuneration is linked to Control Bionics' performance and the creation of shareholder value;
- Executive remuneration is fair and appropriate, having regard to the performance of the Group and the relevant executive; and
- Remuneration outcomes comply with relevant legal requirements.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having sustainable revenue growth as a core component of plan design;
- focusing on sustained growth in the business in both existing and new markets likely to create increased shareholder wealth, as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. As disclosed in the Corporate Governance Statement, initially, and until a different amount is determined, the Board has determined that the maximum aggregate non-executive directors' remuneration is \$400,000 per annum.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave and medical insurance in some markets.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include revenue, profit contribution, new market development, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Apart from 276,934 options granted to Neale Java and subsequently forfeited, there were no other share-based incentives issued to executives in the 2022 financial year.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group and measures that are linked to growth in earnings and shareholder wealth. Cash bonus and incentive payments are dependent on defined financial, operational and personal performance targets (KPIs) being met. Some adjustments to cash bonuses and incentive payments may be made at the discretion of the Board.

Measures for the 2022 financial year included: Revenue, Net Profit, available cash and year end share price.

In addition to the financial metrics, the Board also considers the achievement of non-financial milestones or KPIs. For the year ended 30 June 2022, the following milestones were assessed as part of the Executive performance KPIs:

- Successful opening of new channels to market and specifier relationships in existing markets, and progress with new distribution arrangements in other international markets, particularly Japan;
- Continued product development to expand the range and relevance of the product portfolio for both existing and new markets; and
- Recruitment of key roles to facilitate efficient business growth.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables. The key management personnel of the Group consisted of the following directors of Control Bionics Limited:

- Mr Roger David Hawke - Chairman
- Mr Robert William Wong - Chief Executive Officer, Executive Director
- Mr Peter Shann Ford - Founder and Executive Director
- Mr Damian Lismore (Appointed 30 September 2020) - Non-Executive Director
- Mr Lindsay John Phillips - Non-Executive Director
- Mr William Bruce McMurray (Resigned 29 September 2020) - Non-Executive Director

And the following persons:

- Mr Todd Tyler - US Country Manager (Appointed 8 September 2021)
- Mr John Bell - Chief Financial Officer (Appointed 13 October 2020, Resigned 31 March 2021)
- Mr Neale Java - Chief Financial Officer (Appointed 8 February 2021, Resigned 10 June 2022)

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Details of remuneration (continued)

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity settled shares	Equity settled options	
2022	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors								
Mr Roger David Hawke	68,182	-	-	7,318	-	-	-	75,500
Mr Damian Lismore	47,000	-	-	-	-	-	-	47,000
Mr Lindsay John Phillips	42,727	-	-	4,573	-	-	-	47,300
Executive Directors								
Mr Robert William Wong	236,718	-	-	23,282	5,535	-	-	265,535
Mr Peter Shann Ford	163,654	-	-	16,365	15,497	-	-	195,516
Other Key Management Personnel								
Mr Neale Java ¹	180,712	-	-	19,093	-	-	-	199,805
Mr Todd Tyler ²	240,246	-	-	-	-	-	-	240,246
	979,239	-	-	70,631	21,032	-	-	1,070,902

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity settled shares	Equity settled options	
2021	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors								
Mr Roger David Hawke	56,370	-	-	4,880	-	-	-	61,250
Mr Damian Lismore ³	35,250	-	-	-	-	-	-	35,250
Mr Lindsay John Phillips	35,192	-	-	3,058	-	-	-	38,250
Mr William McMurray ⁴	-	-	-	-	-	3,000	-	3,000
Executive Directors								
Mr Robert William Wong	213,109	106,000	-	19,596	13,020	-	-	351,725
Mr Peter Shann Ford	150,474	-	-	14,295	5,380	-	-	170,149
Other Key Management Personnel								
Mr Neale Java ⁵	71,308	21,420	-	6,774	-	-	-	99,502
Mr John Bell ⁶	30,300	-	-	-	-	-	-	30,300
	592,003	127,420	-	48,603	18,400	3,000	-	789,426

¹Represents remuneration from 1 July 2021 to 10 June 2022

²Represents remuneration from 8 September 2021 to 30 June 2022

³Represents remuneration from 30 September 2020 to 30 June 2021

⁴Represents remuneration from 1 July 2020 to 29 September 2020

⁵Represents remuneration from 8 February 2021 to 30 June 2021

⁶Represents remuneration from 13 October 2020 to 31 March 2021

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Details of remuneration (continued)

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

	Fixed remuneration		At risk - STI		At risk LTI	
	2022	2021	2022	2021	2022	2021
Non-Executive Directors						
Mr Roger David Hawke	100%	100%	0%	0%	0%	0%
Mr Damian Lismore	100%	100%	0%	0%	0%	n/a
Mr Lindsay John Phillips	100%	100%	0%	0%	0%	0%
Mr William Bruce McMurray	n/a	100%	n/a	0%	n/a	0%
Executive Directors						
Mr Robert William Wong	100%	70%	0%	30%	0%	0%
Mr Peter Shann Ford	100%	100%	0%	0%	0%	0%
Other Key Management Personnel						
Mr Neale Java	100%	78%	0%	22%	0%	0%
Mr John Bell	n/a	100%	n/a	0%	n/a	0%
Mr Todd Tyler	100%	n/a	n/a	n/a	n/a	n/a

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Group performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined at the end of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2022	2021	2022	2021
Executive Directors				
Mr Robert William Wong	0%	82%	100%	18%
Mr Peter Shann Ford	0%	n/a	100%	n/a
Other Key Management Personnel				
Mr Neale Java	0%	82%	100%	18%
Mr Todd Tyler	0%	n/a	100%	n/a

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Mr Robert William Wong

Title: Chief Executive Officer

Agreement commenced Current agreement commenced 16 October 2020

Term of agreement Ongoing

Details Total Fixed Remuneration for the year ending 30 June 2022 of \$275,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 50% of Fixed Remuneration as per Nomination and Remuneration Committee approval and KPI achievement. There is a 6-month termination notice by either party and standard, non-solicitation and non-compete clauses.

Name: Mr Peter Shann Ford

Title: Founder and Executive Director

Agreement commenced Current agreement commenced 12 October 2020

Term of agreement Ongoing

Details Total Fixed Remuneration for the year ending 30 June 2022 of \$185,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement. There is a 6-month termination notice by either party and standard non-solicitation and non-compete clauses.

Name: Mr Neale Java

Title: Chief Financial Officer

Agreement commenced 8 February 2021

Term of agreement Resigned 10 June 2022

Details Total Fixed Remuneration (pro rata) for the year ending 30 June 2022 comprising base salary of \$180,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 35% as per Nomination and Remuneration Committee approval and KPI achievement and a sign on LTI award of up to 50% of base salary. There is a 3 month termination notice by either party and standard non-solicitation and non-compete clauses.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT**Service agreements (Continued)**

Name:	Mr Todd Tyler
Title:	US Country Manager
Agreement commenced	8 September 2021
Term of agreement	Ongoing
Details	Total Fixed Remuneration (pro rata) comprising base salary of US\$185,400 for the year ending 30 June 2022 including superannuation plus US\$5,400 medical benefits, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 30% as per Nomination and Remuneration Committee approval and KPI achievement and a sign on LTI award of up to 30% of base salary. There is a 15 day termination notice by the employee or immediate termination right by the company, and standard non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation*Issue of shares*

No shares were issued to directors or other key management personnel as part of compensation during the year ended 30 June 2022.

Options

Options were issued to the former CFO Neil Java, and were subsequently forfeited on his resignation from the company.

Rob Wong exercised his 3,365,678 options before their expiry on 23 December, 2021, and settled with a loan from the company.

No other options were granted, exercised or lapsed for directors and other key management personnel in this financial year.

Additional information

The key financial metrics of the Group for the two years to 30 June 2022 are summarised below:

	2022	2021
	\$	\$
Sales revenue (including rental and trials)	4,476,213	3,972,119
EBITDA	(5,577,450)	(3,320,674)
Loss after income tax	(6,101,224)	(3,550,826)
Available cash	5,214,003	12,331,109
Share price at financial year end (\$)	\$0.225	\$0.695

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT**Additional disclosures relating to key management personnel***Shareholdings*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares				
Mr Roger David Hawke	758,478	-	-	758,478
Mr Robert William Wong	2,540,616	3,365,678	-	5,906,294
Mr Peter Shann Ford	21,258,313	-	-	21,258,313
Mr Damian Lismore	55,000	-	-	55,000
Mr Lindsay John Phillips	17,195,676	1,666,453	-	18,862,129
	41,808,083	5,032,131	-	46,840,214

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, 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
Options over ordinary shares					
Mr Robert William Wong	3,365,678	-	(3,365,678)	-	-
Mr Peter Shann Ford	3,567,860	-	-	-	3,567,860
Mr Neale Java	-	276,934	-	(276,934)	-
	6,933,538	276,934	(3,365,678)	(276,934)	3,567,860

All of the above options have vested and are exercisable. Peter Ford exercised his 3,567,860 options from the grant on 28 June 2017 after the end of the financial year, before the date of this report.

Other transactions with key management personnel and their related parties

During the financial year, payments for employment in the normal course of business were made to close family members of Mr Robert Wong of \$116,165. As at 30 June 2022, there were unpaid expense claims of \$12,516 owing to key management personnel and their related parties. These expense claims were subsequently paid in July 2022. There is no other amount owing to these related parties at 30 June 2022. All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

Options (Continued)

Shares under option

Unissued ordinary shares of Control Bionics Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
13/02/2020	749,268	0.45	13/02/2025

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Group or of any other body corporate.

Shares issued on exercise of options

The following ordinary shares of Control Bionics Limited were issued during or since the end of the financial year as a result of the exercise of an option:

Date options granted	Number of ordinary shares issued	Exercise Price
23/12/2017	3,365,678	0.21
28/06/2017	3,567,860	0.21
13/02/2020	31,212	0.45

3,567,860 options from the grant on 28 June 2017 were exercised after the end of the financial year, before the date of this report.

Indemnification of officers

The Group has indemnified the directors and executives of the company 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 Group paid a premium in respect of a contract to insure the directors and executives of the Group 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.

Indemnification of auditors

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

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

DIRECTORS' REPORT

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 Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Officers of the Group who are former partners of BDO Audit Pty Ltd

There are no officers of the Group who are former partners of BDO Audit Pty Ltd.

Rounding of amounts

The group 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 under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

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 Board of Directors

Chairman:

A handwritten signature in black ink, appearing to read 'R. Hawke', is written over a solid horizontal line.

Mr Roger David Hawke

Dated this 24th day of August 2022

For personal use only

DECLARATION OF INDEPENDENCE BY GILLIAN SHEA TO THE DIRECTORS OF CONTROL BIONICS LIMITED

As lead auditor of Control Bionics Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Control Bionics Limited and the entities it controlled during the period.



Gillian Shea
Director

BDO Audit Pty Ltd

Sydney, 24 August 2022

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

GENERAL INFORMATION

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

Control Bionics 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
Suite 5.01, 697 Bourke Road	Suite 5.01, 697 Bourke Road
Camberwell	Camberwell
VIC 3124	VIC 3124
Australia	Australia

A description of the nature of the Group'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 24 August 2022. The directors have the power to amend and reissue the financial statements.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
Revenue	4	4,476,213	3,972,119
Other income	5	<u>428,712</u>	<u>458,156</u>
		<u>4,904,925</u>	<u>4,430,275</u>
Less: expenses			
Raw materials and consumables used		(1,977,874)	(1,429,955)
Bad debt expense		(84,613)	-
Employee benefits expense		(4,912,721)	(3,326,306)
Depreciation and amortisation expense	6	(507,851)	(198,534)
Marketing and promotion		(711,752)	(442,489)
Research & development costs	6	(328,880)	(166,233)
Legal fees, patents and insurance		(383,267)	(231,102)
Corporate travel		(418,874)	(252,816)
Professional fees		(341,667)	(242,643)
IPO costs		(33,750)	(777,371)
Foreign exchange gain	6	24,280	103,752
Finance costs	6	(42,994)	(70,376)
General and administrative expense		<u>(1,286,186)</u>	<u>(947,028)</u>
		<u>(11,006,149)</u>	<u>(7,981,101)</u>
Loss before income tax expense		(6,101,224)	(3,550,826)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss after income tax expense for the year		<u>(6,101,224)</u>	<u>(3,550,826)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		<u>89,508</u>	<u>(65,746)</u>
		<u>89,508</u>	<u>(65,746)</u>
Other comprehensive income for the year		<u>89,508</u>	<u>(65,746)</u>
Total comprehensive loss		<u>(6,011,716)</u>	<u>(3,616,572)</u>
		Cents	Cents
Basic earnings per share	30	(7.15)	(5.66)
Diluted earnings per share	30	(7.15)	(5.66)

The accompanying notes form part of these financial statements.

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	8	5,214,003	12,331,109
Trade and other receivables	9	1,764,567	1,120,722
Inventories	10	923,961	269,378
Other assets	11	<u>706,792</u>	<u>-</u>
Total current assets		<u>8,609,323</u>	<u>13,721,209</u>
Non-current assets			
Property, plant and equipment	12	501,457	524,143
Intangible assets	13	4,071,721	4,078,824
Right-of-use assets	14(a)	232,443	9,917
Other non-current assets	11	<u>21,186</u>	<u>19,011</u>
Total non-current assets		<u>4,826,807</u>	<u>4,631,895</u>
Total assets		<u>13,436,130</u>	<u>18,353,104</u>
Current liabilities			
Trade and other payables	15	854,224	868,581
Lease liabilities	14(b)	112,050	14,869
Borrowings	16	48,196	-
Employee benefits	17	<u>346,611</u>	<u>289,889</u>
Total current liabilities		<u>1,361,081</u>	<u>1,173,339</u>
Non-current liabilities			
Lease liabilities	14(b)	124,578	-
Employee benefits	17	<u>26,738</u>	<u>16,857</u>
Total non-current liabilities		<u>151,316</u>	<u>16,857</u>
Total liabilities		<u>1,512,397</u>	<u>1,190,196</u>
Net assets		<u>11,923,733</u>	<u>17,162,908</u>
Equity			
Issued capital	18	29,266,524	28,174,654
Reserves	19	391,445	621,266
Accumulated losses		<u>(17,734,236)</u>	<u>(11,633,012)</u>
Total equity		<u>11,923,733</u>	<u>17,162,908</u>

The accompanying notes form part of these financial statements.

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Issued capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Option Reserve \$	Total Equity \$
Balance as at 1 July 2020	13,059,966	(8,082,186)	(357)	745,600	5,723,023
Loss for the year	-	(3,550,826)	-	-	(3,550,826)
Other comprehensive income for the year	-	-	(65,746)	-	(65,746)
Total comprehensive income for the year	-	(3,550,826)	(65,746)	-	(3,616,572)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	-	88,692	88,692
Shares issued during the period, net of transaction costs	14,967,765	-	-	-	14,967,765
Exercise of options	146,923	-	-	(146,923)	-
Balance as at 30 June 2021	<u>28,174,654</u>	<u>(11,633,012)</u>	<u>(66,103)</u>	<u>687,369</u>	<u>17,162,908</u>
Balance as at 1 July 2021	28,174,654	(11,633,012)	(66,103)	687,369	17,162,908
Loss for the year	-	(6,101,224)	-	-	(6,101,224)
Other comprehensive income for the year	-	-	89,508	-	89,508
Total comprehensive income for the year	-	(6,101,224)	89,508	-	(6,011,716)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	-	51,703	51,703
Shares issued during the period, net of transaction costs	720,838	-	-	-	720,838
Exercise of options	371,032	-	-	(371,032)	-
Balance as at 30 June 2022	<u>29,266,524</u>	<u>(17,734,236)</u>	<u>23,405</u>	<u>368,040</u>	<u>11,923,733</u>

The accompanying notes form part of these financial statements.

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,464,435	3,524,992
Receipts from government grants		255,186	113,635
Payments to suppliers and employees (inclusive of GST)		(11,564,889)	(7,597,643)
Interest received		1,327	1,161
Interest and other Finance costs paid		<u>(42,994)</u>	<u>(32,779)</u>
Net cash from operating activities	29(a)	<u>(6,886,935)</u>	<u>(3,990,634)</u>
Cash flow from investing activities			
Payment for intangibles		-	(5,236)
Payment for property, plant and equipment		<u>(147,743)</u>	<u>(48,162)</u>
Net cash used in investing activities		<u>(147,743)</u>	<u>(53,398)</u>
Cash flow from financing activities			
Proceeds from issue of shares		14,045	15,683,059
Proceeds from borrowings		241,021	-
Repayment of borrowings		(192,825)	-
Transaction costs on issue of shares		-	(715,294)
Lease payments		(93,380)	(45,209)
Guarantee paid on new lease arrangements		<u>(56,186)</u>	<u>-</u>
Net cash (used in) / generated by financing activities		<u>(87,325)</u>	<u>14,922,556</u>
Reconciliation of cash			
Net (decrease) / increase in cash and cash equivalents		(7,122,003)	10,878,524
Cash and cash equivalents at the beginning of the financial year		12,331,109	1,428,405
Effects of exchange rate changes on cash and cash equivalents		<u>4,897</u>	<u>24,180</u>
Cash and cash equivalents at the end of financial year		<u><u>5,214,003</u></u>	<u><u>12,331,109</u></u>

The accompanying notes form part of these financial statements.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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 following Accounting Standards and Interpretations are most relevant to Control Bionics Limited and its subsidiaries ("Group"):

(a) Basis of preparation of the financial report

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for "for-profit" oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Control Bionics Limited ("Company" or "Parent Entity") as at 30 June 2022 and the results of all subsidiaries for the year then ended. Control Bionics Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

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.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(d) Going concern basis of Accounting

The Group's financial statements have been prepared on the basis of continuity of operations, the realisation of assets and the satisfaction of liabilities in the ordinary course of business. As disclosed in the financial statements, the Group has incurred a net loss after taxes of \$6,101,224 and had net cash outflows from operating activities of \$6,886,935 for the year ended 30 June 2022. These events and conditions represent a material uncertainty that may cast significant doubt on the ability of the Group 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.

The future viability of the Group is largely dependent on the number and timing of sales, and on its ability to raise capital to finance its operations. The Group's level of sales in FY2023 and ability to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies. If adequate funds are not available to the Group, the Group may be required to delay, reduce or eliminate research and development programs, reduce costs or eliminate commercialisation efforts, raise new equity or pursue merger or acquisition strategies. The Group had cash on hand balances available as at 30 June 2022 of \$5,214,003. The Group believes that it has sufficient liquidity and options available to prepare the financial statements on a going concern basis at this time.

The financial statements do not include adjustments relating to the recoverability and classification of recorded assets amounts, nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(f) Foreign currency translation

The financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(g) Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition (Continued)

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 the 'expected value' 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.

The two primary performance obligations identified by the Group are: sale of goods and provision of 12 months fair use technical support.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rental

Revenue from rental of goods is recognised over the period of the rental arrangement.

Technical support and product trials

Revenue from technical support and product trials is recognised over the period of the trial or support arrangement. Technical support is provided for 12 months from purchase and recognition of revenue is weighted towards the earlier months in line with when support services are utilised. Product trials vary in length dependent on the needs of the customer and the requirements of the jurisdiction in which the customer resides.

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.

Research and Development tax offset

The refundable component of the research and development tax offset is recognised as other income in the same year in which the associated expenses have been incurred. The receipt of the research and development tax offset is dependent on the submission and acceptance by the Australian Taxation Office of a research and development project description, and the Group fulfilling its requirement to lodge a company tax return for the relevant year.

Other revenue

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

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Government grants

Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants have been presented on a gross basis in the consolidated statement of profit or loss and other comprehensive income.

(i) 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.

Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted by the end of the reporting period.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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.

Control Bionics Limited and its 100% owned Australian resident subsidiaries formed a tax Consolidated Group with effect from 1 December 2005. Control Bionics Limited is the head entity of the tax Consolidated Group. All tax liabilities will be recognised in the head entity in the absence of any tax sharing agreement. No amounts have been recognised in the financial statements as no tax is payable.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 Group'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 Group'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.

Deferred tax assets and liabilities are always classified as non-current.

(k) 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(l) 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. Terms for trade receivables in the ordinary course of business require settlement within 30 days, however terms for specialised "Insurance" sales in the United States may require extension of up to 180 days.

The Group 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.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories represent:

- Finished goods for sale
- Finished goods under construction
- Componentry
- Spare parts

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects has been assigned by using specific identification of their individual costs. Where inventories of items are interchangeable, the Group has elected to assign costs to inventories on the basis of weighted average costs. This cost formula has been implemented as management is of the opinion that the weighted average basis will provide more relevant information, and result in a more accurate carrying amount of inventory at the end of each reporting period.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (Continued)

measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(o) Property, plant and equipment

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.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment at cost	2-7 years
Trade and demo equipment	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(p) Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(q) 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.

Patents and trademarks

Patents and trademarks are capitalised at their purchase or registration cost and the resulting asset amortised over their effective lives.

Amortisation is calculated on a straight-line basis to write off the net cost of each patent and trademark over their expected useful lives as follows:

Patents and trademarks	1-8 years
------------------------	-----------

Intellectual Property

Expenditure during the research phase of a project is recognised as an expense when incurred. Expenditure on intellectual property acquired from third parties is carried at cost less any provision for impairment. Impairment testing is performed annually.

All intellectual property held as a non-current asset was acquired from third parties; no intellectual property was internally generated. The intellectual property held as a non-current asset at the year-end comprises proprietary plans, specifications, modelling, knowledge, techniques, software and machine code that enable the Group to develop the proprietary assistive technology used in its business.

The majority of the intellectual property owned by the Group is represented by technical know-how which is an integral part of the product produced. Without this technical know-how, the Group would be unable to produce and market its product. For as long as the Group continues its current operations, that technical know-how will continue to be applied, and there is therefore no foreseeable limit to the length of time over which the asset is anticipated to generate revenue.

The intellectual property is therefore considered to have an indefinite useful life.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of non-financial assets

Intellectual property and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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.

(t) Contract liabilities

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

(u) Borrowing

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.

(v) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Lease liabilities (Continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(w) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(x) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(y) Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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.

(iii) Defined contribution superannuation expense

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

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Employee benefits (Continued)

(iv) Share-based payments

Equity-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.

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 Group 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 the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group 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.

(z) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For personal use only

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Fair value measurement (Continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(aa) Issued capital

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.

(ab) Dividends

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

(ac) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or (loss) attributable to the owners of Control Bionics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding 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.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) 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 consolidated 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.

(ae) 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 Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Determination of variable consideration

Judgement is exercised in estimating variable consideration, which is determined using the expected value method, accounting for the amount that the Group expects to be entitled to under the contract. The variable consideration is estimated by management with regard to past experience and historical trends in relation to receipts from insurance customers in North America. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information, including accounting for the potential impacts of the COVID-19 pandemic.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Intellectual property and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether intellectual property and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of intangible assets have been determined based on their 'fair value less cost of disposal' calculations using a relief from royalty method. These calculations require the use of assumptions, including estimated future revenue, royalty rates and cost of maintenance.

Employee benefits provision

As discussed in note 1, 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.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Research and development tax offset

An estimate has been made of the refundable research and development tax offset due to the Group in respect of research and development activities conducted during the year. This estimate is based on a calculation of expenditure on eligible research and development activities.

NOTE 3: OPERATING SEGMENTS

Identification of reportable operating segments

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. Operating segments represent the information reported to the chief operating decision makers (CODM), being the executive management team, for the purposes of resource allocation and assessment of segment performance.

The Group has identified one operating segment as the sale of assistive communications technology systems within the disability sector. The segment reported a loss before income tax of \$6,101,224 for the financial period (30 June 2021: \$3,550,826 loss). The segment currently has operations in two geographical locations: Australia and North America. This is consistent with the internal reporting provided to the CODM and is aligned to the one major revenue stream.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of the geographical locations within the operating segment are as follows:

Australia	Sales of Trilogy units and components in Australia
North America	Manufacture and sales of Trilogy units and components in North America

	2022	2021
	\$	\$
<i>Geographical information (Revenue from external customers)</i>		
Australia	1,091,229	1,127,107
North America	<u>3,384,984</u>	<u>2,845,012</u>
	<u>4,476,213</u>	<u>3,972,119</u>

Segment assets and liabilities

The internal management reporting presented to key business decision makers report total assets and liabilities on the basis consistent with that of the consolidated financial statements. These reports do not allocate assets and liabilities based on the operations of each segment or by geographical location.

Under the current management reporting framework, total assets are not reviewed to a specific reporting segment or geographical location.

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 4: REVENUE		
Sale of goods	4,275,911	3,878,140
Technical trials and support	<u>104,309</u>	<u>50,655</u>
	4,380,220	3,928,795
Lease of goods (rental)	<u>95,993</u>	<u>43,324</u>
	<u>4,476,213</u>	<u>3,972,119</u>

Disaggregation of revenue

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

	2022	2021
	\$	\$
Timing of revenue recognition (Australia)		
Goods transferred at a point in time	926,123	1,031,714
Services transferred over time	<u>69,113</u>	<u>50,655</u>
	<u>995,236</u>	<u>1,082,369</u>
	2022	2021
	\$	\$
Timing of revenue recognition (North America)		
Goods transferred at a point in time	3,349,788	2,846,426
Services transferred over time	<u>35,196</u>	<u>-</u>
	<u>3,384,984</u>	<u>2,846,426</u>
	<u>4,380,220</u>	<u>3,928,795</u>

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 5: OTHER INCOME		
Interest income	1,327	1,161
Government grants in relation to COVID-19	88,929	340,653
Research & development tax offset	<u>338,456</u>	<u>116,342</u>
	<u>428,712</u>	<u>458,156</u>

Government grants in relation to COVID-19

- Australian Government Jobkeeper subsidy – Control Bionics Limited and Control Bionics Australia Pty Ltd were eligible for the Jobkeeper subsidy from the Australian government. A subsidy of \$88,929 was received for three eligible employees during the period the financial period (30 June 2021: \$113,636).
- US Government US Payroll Protection Program (PPP) loan – Control Bionics Inc was provided a PPP loan of US\$161,787 as part of the US government COVID-19 support package in the 2020 financial year. In the 2021 financial year, the US Federal Government confirmed that Control Bionics Inc met the criteria required for the loan to be waived and the Group have recognised the forgiveness of the loan balance as other income, translated to A\$227,017.

NOTE 6: EXPENSES

Losses before income tax includes the following specific expenses:

Depreciation		
- Plant and equipment	410,003	141,582
- Right-of-use-assets	<u>90,745</u>	<u>45,931</u>
Total depreciation	500,748	187,513
Amortisation		
- Intangible assets	<u>7,103</u>	<u>11,021</u>
Total depreciation and amortisation	<u>507,851</u>	<u>198,534</u>
Finance costs		
Lease liabilities - finance charges	34,107	37,597
Interest	<u>8,887</u>	<u>32,779</u>
Total finance costs	42,994	70,376
Net foreign exchange (gain)	(24,280)	(103,752)
Employee benefits:		
- Share based payments	51,703	88,692
- Contributions to defined contribution pension funds	202,587	176,416
Research and development costs	328,880	166,233

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

2022 **2021**
\$ **\$**

NOTE 7: INCOME TAX EXPENSE

The income tax expense for the year comprises current income tax expense and deferred tax expense. The current income tax expense for the year ended 30 June 2022 is nil (30 June 2021: nil).

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

A deferred tax asset (potential tax benefit) has not been recognised in the consolidated statement of financial position as the recovery of this benefit is uncertain. The Group has committed to invest in operational infrastructure (including sales staff) to grow sales. Until the success of that strategy is clear, directors have adopted a prudent approach to not recognise deferred tax assets this financial year.

(a) Unused tax losses for which no deferred tax assets have been brought to account

Australian tax consolidated group	3,494,162	2,236,064
Control Bionics Inc (in relation to its tax year)	<u>9,091,205</u>	<u>4,647,094</u>
Total unused tax losses	<u><u>12,585,367</u></u>	<u><u>6,883,158</u></u>

NOTE 8: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank	<u>5,214,003</u>	<u>12,331,109</u>
--------------	------------------	-------------------

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 financial year as shown in the statement of cash flows as follows:

Cash and cash equivalents	<u>5,214,003</u>	<u>12,331,109</u>
Balance as per statement of cash flows	<u><u>5,214,003</u></u>	<u><u>12,331,109</u></u>

NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	1,259,299	670,581
Allowance for credit losses	<u>(84,613)</u>	<u>-</u>
	1,174,686	670,581
Office deposit bond	56,186	13,086
Other receivables	251,496	327,055
Government grants (R&D tax offset)	<u>282,199</u>	<u>110,000</u>
	<u><u>1,764,567</u></u>	<u><u>1,120,722</u></u>

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)

Allowance for expected credit losses

The Group has recorded an allowance for expected credit losses at the end of the financial period of \$84,613 (30 June 2021: nil). Management have continued to monitor ageing of receivables in the normal course of business.

	Expected credit losses		Carrying amounts		Allowance for expected credit losses	
	2022	2021	2022	2021	2022	2021
Consolidated	%	%	\$	\$	\$	\$
Not overdue	- %	- %	511,639	372,665	-	-
0 to 3 months overdue	- %	- %	379,154	167,949	-	-
3 to 6 months overdue	18 %	- %	175,252	66,823	30,767	-
Over 6 months overdue	28 %	- %	<u>193,254</u>	<u>63,144</u>	<u>53,846</u>	<u>-</u>
			<u>1,259,299</u>	<u>670,581</u>	<u>84,613</u>	<u>-</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2022	2021
	\$	\$
Opening balance	-	-
Additional provisions recognised	<u>84,613</u>	<u>-</u>
Closing balance	<u>84,613</u>	<u>-</u>

NOTE 10: CURRENT ASSETS - INVENTORIES

CURRENT

Components of inventory	<u>923,961</u>	<u>269,378</u>
-------------------------	----------------	----------------

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 11: OTHER ASSETS		
CURRENT		
Related party receivable on exercise of options	<u>706,792</u>	<u>-</u>
NON CURRENT		
Other non-current assets	<u>21,186</u>	<u>19,011</u>

On 23 December 2016, Rob Wong, CEO, was granted options with an exercise price of \$ 0.21 and an expiry date of 23 December 2021. In line with listing rule requirements, these options and any shares issued on exercise became escrowed until 7 December 2022, being 2 years after the date that Control Bionics Limited listed on the ASX.

On 18 December 2021, CEO Rob Wong entered into an arrangement with Control Bionics Limited to facilitate the exercising of the above 3,365,678 restricted employee options. These options were exercised on 23 December 2021 prior to expiry at \$ 0.21 per share, resulting in the total subscription amount outstanding of \$706,792. The subscription amount is to be paid on or before 7 March 2023 unless repaid prior to this date. Interest is to be accrued annually at the " benchmark interest rate" prescribed by the ATO from time to time in relation to fringe benefits tax.

NOTE 12: NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements

At cost	40,162	-
Accumulated depreciation	<u>(1,339)</u>	<u>-</u>
	<u>38,823</u>	<u>-</u>

Plant and equipment

Plant and equipment at cost	170,260	110,757
Accumulated depreciation	<u>(64,849)</u>	<u>(19,107)</u>
	105,411	91,650
Assets under construction	48,078	-
Trial and demo equipment	886,048	645,610
Accumulated depreciation	<u>(576,903)</u>	<u>(213,117)</u>
	<u>309,145</u>	<u>432,493</u>
Total plant and equipment	<u>462,634</u>	<u>524,143</u>
Total property, plant and equipment	<u>501,457</u>	<u>524,143</u>

(a) Reconciliations

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

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 12: NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
(a) Reconciliations (Continued)		
<i>Leasehold improvements</i>		
Opening carrying amount	-	-
Additions	40,162	-
Depreciation expense	<u>(1,339)</u>	-
Closing carrying amount	<u>38,823</u>	<u>-</u>
<i>Plant and equipment</i>		
Opening carrying amount	91,650	49,672
Additions	59,503	48,162
Depreciation expense	(45,742)	(10,631)
Net foreign currency exchange movements	<u>-</u>	<u>4,447</u>
Closing carrying amount	<u>105,411</u>	<u>91,650</u>
<i>Assets under construction</i>		
Opening carrying amount	-	-
Additions	<u>48,078</u>	-
Closing carrying amount	<u>48,078</u>	<u>-</u>
<i>Trial & demo equipment</i>		
Opening carrying amount	432,493	192,076
Transfers from inventory	240,438	371,368
Depreciation expense	<u>(363,786)</u>	<u>(130,951)</u>
Closing carrying amount	<u>309,145</u>	<u>432,493</u>
<i>Total property, plant and equipment</i>		
Carrying amount at 1 July	524,143	241,748
Additions	147,743	48,162
Transfers from inventory	240,438	371,368
Depreciation expense	(410,003)	(141,582)
Net foreign currency exchange movements	<u>(864)</u>	<u>4,447</u>
Carrying amount at 30 June	<u>501,457</u>	<u>524,143</u>

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 13: NON-CURRENT ASSETS - INTANGIBLE ASSETS		
Patents and trademarks - at cost	29,813	29,813
Less: Accumulated amortisation	<u>(22,445)</u>	<u>(15,342)</u>
	7,368	14,471
Intellectual property	4,064,353	4,064,353
Less: Impairment	<u>-</u>	<u>-</u>
	<u>4,064,353</u>	<u>4,064,353</u>
Total intangible assets	<u><u>4,071,721</u></u>	<u><u>4,078,824</u></u>

(a) Reconciliations

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

Patents and trademarks - at cost

Opening balance	14,471	20,256
Additions	-	5,236
Amortisation	<u>(7,103)</u>	<u>(11,021)</u>
Closing balance	<u><u>7,368</u></u>	<u><u>14,471</u></u>

Intellectual property

Opening balance	<u>4,064,353</u>	<u>4,064,353</u>
Closing balance	<u><u>4,064,353</u></u>	<u><u>4,064,353</u></u>

Total Intangible assets reconciliation

Opening balance	4,078,824	4,084,609
Additions	-	5,236
Amortisation	<u>(7,103)</u>	<u>(11,021)</u>
Closing balance	<u><u>4,071,721</u></u>	<u><u>4,078,824</u></u>

(b) Impairment testing

Intellectual property (IP) with an indefinite useful life has been allocated to the following cash-generating unit:

Control Bionics Group	<u>4,064,353</u>	<u>4,064,353</u>
-----------------------	------------------	------------------

The recoverable amount of the Group's intellectual property has been determined based on fair value less costs of disposal, using a relief from royalty method. These calculations require the use of assumptions, including estimated future revenue, royalty rates and cost of maintenance. Calculations have been based on a detailed projection for the year ending 30 June 2023 approved by management and extrapolated for a further four years using realistic growth rates, together with a terminal value.

For personal use only

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 13: NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)

(b) Impairment testing (Continued)

Key assumptions are those to which the recoverable amount of the intellectual property is most sensitive.

The following key assumptions were used in the relief from royalty calculation for the intellectual property:

- 12.5% (2021: 12.5%) royalty rate;
- 15.6% (2021: 14.1%) pre-tax discount rate (weighted average cost of capital);
- Projected revenue growth rate per annum based on detailed forecasts for the 2023 financial year and average annual growth rates of 45% for Australia and 38% for the North American operations.

The pre-tax discount rate of 15.6% reflects Management's estimate of the time value of money and the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is justified, based on growth initiatives for the Group in the coming years. Management is focused on continuing to increase productivity from the sales team, many of whom have joined the Group in the prior financial year, introducing and commercialising new products, and working closely with the NDIS in Australia and insurers in North America to drive better solutions for our customers.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of intellectual property is based would not cause the carrying amount to exceed its recoverable amount.

The directors have reviewed and are comfortable with the significant assumptions determined by management.

Based on the above, the directors have determined that no impairment charge is required to the value of the intellectual property at 30 June 2022.

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 14: LEASES		
(a) Right of use assets		
Land and buildings - right-of-use	315,139	83,193
Accumulated depreciation	<u>(82,696)</u>	<u>(73,276)</u>
Total carrying amount of lease assets	<u><u>232,443</u></u>	<u><u>9,917</u></u>
Reconciliations		
Reconciliation of the carry amount of lease assets at the beginning and end of the financial year:		
<i>Land and buildings - right of use</i>		
Opening carrying amount	9,917	83,193
Additions	315,139	-
Depreciation	(90,745)	(73,276)
Net foreign exchange differences	<u>(1,868)</u>	<u>-</u>
Closing carrying amount	<u><u>232,443</u></u>	<u><u>9,917</u></u>

During the year the Group entered into two new lease agreements as outlined further below.

Control Bionics Inc

On 1 September 2021, a new four year lease agreement commenced for Control Bionics Inc in Milford, Ohio, US. This represents a significantly larger area of floor space for the global manufacturing and distribution operations in North America to support the future growth potential of the group.

Control Bionics Limited

On 22 November 2021, a new two year lease agreement commenced for Control Bionics Limited in Camberwell, Victoria. This represents a larger and better equipped head office and distribution centre for the Australian operation to support the future operations of the Australian Organisation.

The Group leases buildings for its offices and manufacturing facilities under agreements of two to four years with, in some cases, options to extend. Options to extend current leases have not been included in lease calculations as the Group did not have sufficient certainty at the time of commencement of the lease as to whether such options would be taken up. The leases have various escalation clauses. On renewal, the terms of the leases will be renegotiated.

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 14: LEASES (CONTINUED)		
(b) Lease liabilities		
CURRENT		
Lease liability	<u>112,050</u>	<u>14,869</u>
NON CURRENT		
Lease liability	<u>124,578</u>	-
Total carrying amount of lease liabilities	<u><u>236,628</u></u>	<u><u>14,869</u></u>
Maturity analysis		
Less than one year	112,050	14,869
One to five years	<u>124,578</u>	-
	<u><u>236,628</u></u>	<u><u>14,869</u></u>

NOTE 15: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

CURRENT		
Trade creditors	429,273	459,615
Contract liabilities	152,574	30,525
GST and other sales taxes payable	89,995	104,641
Accrued expenses	<u>182,382</u>	<u>273,800</u>
	<u><u>854,224</u></u>	<u><u>868,581</u></u>

NOTE 16: CURRENT LIABILITIES - BORROWINGS

CURRENT		
<i>Unsecured liabilities</i>		
Bank of Queensland funding arrangement	<u>48,196</u>	-

(a) Bank of Queensland funding arrangement

On 3 December 2021, Control Bionics Limited reactivated a funding arrangement with Bank of Queensland ("BOQ") whereby BOQ provide funding to allow Control Bionics Limited to renew its Directors' and Officers' insurance and its InfoTech liability insurance for the financial year.

(b) Total secured liabilities

There are no secured liabilities (current and non-current) at the reporting date.

(c) Assets pledged as security

There are no assets pledged as security across the group.

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 17: CURRENT AND NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS		
CURRENT		
Annual leave	287,998	246,718
Long service leave	<u>58,613</u>	<u>43,171</u>
	<u><u>346,611</u></u>	<u><u>289,889</u></u>
NON CURRENT		
Long service leave	<u>26,738</u>	<u>16,857</u>
<i>Amounts not expected to be settled within the next 12 months</i>		
<p>The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.</p>		
Aggregate employee benefits liability	<u><u>373,349</u></u>	<u><u>306,746</u></u>

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 18: EQUITY - ISSUED CAPITAL

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	86,911,168	83,514,278	29,266,524	28,174,654
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	\$
Opening balance	01/07/2020	10,232,254	\$ -	13,059,966
Issue of shares	28/08/2020	166,839	\$ 2.50	417,098
Previously unpaid share capital		-	\$ -	197,999
Share split	15/09/2020	47,934,240	\$ -	-
Issue of shares - Initial Public Offering	01/12/2020	25,000,000	\$ 0.60	15,000,000
Capitalised IPO costs	01/12/2020	-	\$ -	(715,294)
Issue of shares - exercise of options	13/01/2021	56,095	\$ 0.21	17,375
Issue of shares - exercise of options	15/02/2021	31,212	\$ 0.45	49,377
Issue of shares - exercise of options	25/05/2021	93,638	\$ 0.45	148,133
Balance at 30 June 2021		83,514,278		28,174,654
Issue of shares - exercise of options	11/08/2021	31,212	\$ 0.45	14,046
Transfer of expense from share-based payment reserve	11/08/2021	-	\$ -	35,332
Issue of shares - exercise of options	23/12/2021	3,365,678	\$ 0.21	706,792
Transfer of expense from share-based payment reserve	23/12/2021	-	\$ -	335,700
Balance at 30 June 2022		86,911,168		29,266,524

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.

Share buy-back

There is no current on-market share buy-back.

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 18: EQUITY - ISSUED CAPITAL (CONTINUED)

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

	Note	2022	2021
		\$	\$
NOTE 19: EQUITY - RESERVES			
Foreign currency translation reserve	19(a)	23,405	(66,103)
Share option reserve	19(b)	<u>368,040</u>	<u>687,369</u>
		<u><u>391,445</u></u>	<u><u>621,266</u></u>

(a) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from translating non-monetary assets and liabilities at the current rate at the end of the reporting period rather than at historical rates.

Movements in reserve

Opening balance		(66,103)	(357)
Exchange differences on translation of foreign operations		<u>89,508</u>	<u>(65,746)</u>
Closing balance		<u><u>23,405</u></u>	<u><u>(66,103)</u></u>

(b) Share option reserve

The option reserve relates to share options granted by the Group to its employees under the arrangements outlined at note 31.

Movements in reserve

Opening balance		687,369	745,600
Share based payments		51,703	88,692
Exercise of options		<u>(371,032)</u>	<u>(146,923)</u>
Closing balance		<u><u>368,040</u></u>	<u><u>687,369</u></u>

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 20: FINANCIAL RISK MANAGEMENT

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group'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 Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out by the Chief Executive Officer (CEO) and senior executives under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The CEO and senior executives identify, evaluate and look to mitigate financial risks within the Group's operating units.

(a) Foreign currency risk

The Group undertakes transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2022	2021	2022	2021
	\$	\$	\$	\$
US dollars	<u>1,021,588</u>	<u>664,795</u>	<u>(299,936)</u>	<u>(358,126)</u>
	<u>1,021,588</u>	<u>664,795</u>	<u>(299,936)</u>	<u>(358,126)</u>

The Group has net assets in foreign currencies of \$721,652 (assets of \$1,021,588 less liabilities of \$299,936) as at 30 June 2022 (2021: \$306,669 (assets of \$664,795 less liabilities of \$358,126)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2021: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$95,231 higher/\$104,754 lower (2021: \$40,791 lower/\$37,083 higher) and equity would have been \$95,231 higher/\$104,754 lower (2021: \$40,791 higher/\$37,083 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2022 was \$24,280 (2021: \$103,752).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Price risk

The Group is not exposed to any significant price risk.

(c) Interest rate risk

There are no significant exposures to interest rate risk for the Group as the only borrowing is on fixed interest terms.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group predominantly makes sales to individuals and deals with insurance institutions for payment of individual treatment plans. There are therefore no large or material customers or counterparties to whom the Group is significantly exposed. The Group obtains guarantees where appropriate to mitigate credit risk. 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 Group does not hold any collateral.

The Group 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the passing of a customer while waiting for approval of a claim, failure of a customer to engage in a repayment plan, no active enforcement activity, failure to receive full funds from insurance providers and a failure to make contractual payments for a period greater than 1 year.

(e) Liquidity risk

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

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

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (Continued)

Year ended 30 June 2022	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Remaining contractual maturities \$
<i>Non-interest bearing</i>					
Trade payables	-	424,941	-	-	424,941
Other payables	-	502,972	-	-	502,972
<i>Interest bearing - fixed rate</i>					
Lease liability	4.5 %	120,943	73,142	56,902	250,987
Bank loan	4.8 %	<u>48,196</u>	<u>-</u>	<u>-</u>	<u>48,196</u>
		<u>1,097,052</u>	<u>73,142</u>	<u>56,902</u>	<u>1,227,096</u>
Year ended 30 June 2021					
<i>Non-interest bearing</i>					
Trade payables	-	459,615	-	-	459,615
Other payables	-	408,966	-	-	408,966
<i>Interest bearing - fixed rate</i>					
Lease liability	4.9 %	<u>14,869</u>	<u>-</u>	<u>-</u>	<u>14,869</u>
Total non-derivatives		<u>883,450</u>	<u>-</u>	<u>-</u>	<u>883,450</u>

(f) Financing arrangements

The Group has external borrowings of \$48,196 at 30 June 2022 (30 June 2021: nil).

(g) Fair value of financial instruments

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

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2022	2021
\$	\$

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES*Compensation*

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

Compensation received by key management personnel of the group

- short-term employee benefits	738,993	719,423
- post-employment benefits	70,631	48,603
- other long-term benefits	21,032	18,400
- share-based payments	<u>-</u>	<u>3,000</u>
	<u>830,656</u>	<u>789,426</u>

The key management personnel of the Group consists of the following directors of Control Bionics Limited:

Name	Position
Mr Roger David Hawke	Chairman
Mr Robert William Wong	Chief Executive Officer, Executive Director
Mr Peter Shann Ford	Founder and Executive Director
Mr Damian Lismore	Non-Executive Director
Mr Lindsay John Phillips	Non-Executive Director

The key management personnel also consisted of the following person/s:

Name	Appointment / resignation details	Position
Mr Todd Tyler	Appointed 8 September 2021	US Country Manager
Mr John Bell	Appointed 13 October 2020/Resigned 31 March 2021	Chief Financial Officer
Mr Neale Java	Appointed 8 February 2021/Resigned 10 June 2022	Chief Financial Officer

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 22: REMUNERATION OF AUDITORS		
During the financial year the following fees were paid or payable for services provided by BDO, the auditor of the company, its network firms and unrelated firms:		
Audit services - BDO		
Audit or review of the financial statements	<u>90,500</u>	<u>94,500</u>
	<u>90,500</u>	<u>94,500</u>
Other services - BDO		
Preparation of Tax Return and other Tax services	16,000	33,985
Independent services in relation to the Initial Public Offering	-	76,500
Other	<u>-</u>	<u>2,955</u>
	<u>16,000</u>	<u>113,440</u>
Other services - network firms		
Tax advisory services	-	13,849
Accounting support - CBI	<u>-</u>	<u>8,300</u>
	<u>-</u>	<u>22,149</u>

NOTE 23: CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2022 (30 June 2021: nil)

NOTE 24: COMMITMENTS

The Group has no capital commitments at 30 June 2022 (30 June 2021: nil).

NOTE 25: RELATED PARTY TRANSACTIONS

(a) Parent Entity

Control Bionics Limited is the parent entity.

(b) Subsidiaries

Interest in subsidiaries are set out in note 27.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 21 and the Remuneration report included in the directors' report.

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties

The following transactions occurred with related parties.

	2022	2021
	\$	\$
Payment for employment services to related parties of Robert Wong	<u>116,165</u>	<u>95,417</u>

(e) Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Total expense claims payable to key management personnel and their related parties	12,516	11,024
Loan receivable from Robert Wong	706,792	-

(f) Loans to/from related parties

On 18 December 2021, Control Bionics Limited entered into an agreement to loan Robert Wong \$706,792 for the purchase of ordinary shares in Control Bionics Limited. The loan remains unpaid at the end of financial period. There were no other loans to or from related parties at the current and previous reporting date.

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rate.

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 26: PARENT ENTITY DETAILS		
Set out below is the supplementary information about the parent entity:		
(a) Summarised statement of financial position		
Assets		
Current assets	5,282,103	12,538,496
Non-current assets	<u>4,945,484</u>	<u>4,098,721</u>
Total assets	<u>10,227,587</u>	<u>16,637,217</u>
Liabilities		
Current liabilities	439,737	262,174
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>439,737</u>	<u>262,174</u>
Net assets	<u>9,787,850</u>	<u>16,375,043</u>
Equity		
Share capital	29,266,524	28,174,654
Retained earnings	(19,846,714)	(12,486,980)
Share option reserve	<u>368,040</u>	<u>687,369</u>
Total equity	<u>9,787,850</u>	<u>16,375,043</u>
(b) Summarised statement of comprehensive income		
Loss for the year	(7,359,734)	(4,303,188)
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(7,359,734)</u>	<u>(4,303,188)</u>

(c) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

(d) Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

(e) Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 27: INTERESTS IN SUBSIDIARIES

(a) 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:

Subsidiaries of Control Bionics Limited:	Principal place of business/ Country of incorporation	Ownership interest	
		2022	2021
		%	%
Control Bionics Australia Pty Limited	Australia	100	100
Contro Bionics Inc	USA	100	100

NOTE 28: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is abating, but has an ongoing impact on the business as the sales pipeline can take up to 9 months to convert to revenue due to the lengthy insurance processes in some markets, particularly the USA.

Global supply chains continue to struggle to meet demands, particularly for electronic components and whilst the company continues to carefully plan and manage its inventory, the impact of a continued shortfall of components is difficult to estimate. At a minimum, this situation is increasing the cost of components, the need to hold additional inventory, and has the potential to disrupt product availability.

On 25 July, 2022 Peter Ford exercised 3,567,860 options for a cash consideration of \$749,250.

Apart from those matters outlined above, no matters or circumstances have arisen since 30 June 2022 that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
NOTE 29: CASH FLOW INFORMATION		
(a) Reconciliation of cash flow from operations with profit after income tax		
Loss from ordinary activities after income tax	(6,101,224)	(3,550,826)
Adjustments and non-cash items		
Depreciation	507,851	198,534
Research & development income	(172,199)	(110,000)
Forgiveness of CBI PPP loan	-	(227,017)
Share-based payments	51,703	88,692
Net foreign exchange differences	2,732	32,533
Bad debt expense	84,613	-
Transfers from inventory	(240,438)	-
Changes in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	(415,460)	(804,063)
(Increase) / decrease in inventories	(654,583)	(90,047)
Increase / (decrease) in other non-current assets	(2,176)	30,139
Increase / (decrease) in trade and other payables	(14,357)	441,421
Increase / (decrease) in provisions	<u>66,603</u>	<u>-</u>
Cash flows from operating activities	<u>(6,886,935)</u>	<u>(3,990,634)</u>

(b) Changes in liabilities arising from financing activities

	Borrowings	Lease liabilities	Total
Consolidated	\$'000	\$'000	\$'000
Balance at 1 July 2020	-	46,651	46,651
Repayment of borrowings	-	(45,500)	(45,500)
Interest	-	3,118	3,118
Acquisition of leases	<u>-</u>	<u>10,600</u>	<u>10,600</u>
Balance at 30 June 2021	-	14,869	14,869
Proceeds from borrowings	241,021	-	241,021
Repayment of borrowings	(192,825)	(102,661)	(295,486)
Interest	-	9,281	9,281
Acquisition of leases	<u>-</u>	<u>315,139</u>	<u>315,139</u>
Balance at 30 June 2022	<u>48,196</u>	<u>236,628</u>	<u>284,824</u>

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022****NOTE 30: EARNINGS PER SHARE**

	Consolidated	
	2022	2021
Loss after income tax attributable to owners of Control Bionics Limited (\$)	<u>(6,101,224)</u>	<u>(3,550,826)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (Number)	85,284,674	62,692,863
Adjustments for calculation for diluted earnings per share:		
Share options on issue	4,317,128	7,714,018
Adjustments for share options that are not dilutive	<u>(4,317,128)</u>	<u>(7,714,018)</u>
	<u>85,284,674</u>	<u>62,692,863</u>
	Cents	Cents
Basic earnings per share (Cents)	(7.15)	(5.66)
Diluted earnings per share (Cents)	(7.15)	(5.66)

NOTE 31: SHARE BASED PAYMENTS**Equity-settled share-based payments***Employee option plan*

Apart from 276,934 options granted to Neale Java and subsequently forfeited, there were no other share-based incentives issued to executives in the 2022 financial year.

Historical Grants of Options*Grants on 23 December 2016, 12 April 2017 and 28 June 2017*

These grants were made to two current Executive Board members and one former member of Senior Management under a legacy share option arrangement. Options were included in the share split which occurred on 15 September 2020 in anticipation of an initial public offering. Shares and options were split in a ratio of one old share / option to 5.6094 new shares / options. Key details of the grants are outlined in the table below.

Grants on 13 February 2020

On 13 February 2020 the Group adopted an Employee Share Option Plan, capped at 5% of issued capital whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Employee Share Option Plan.

The number of options granted is at the Group's discretion and intended to reward those individuals' contributions to the performance of the Group. No additional amounts were paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Key details of the grants are outlined in the tables below.

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022****NOTE 31: SHARE BASED PAYMENTS (CONTINUED)****Equity-settled share-based payments (Continued)***Employee option plan (Continued)*

Neale Java was granted and forfeited options under the Employee Share Option Plan during the financial year.

Grant date	23 Dec 2016, 12 Apr 2017, 28 Jun 2017	13 February 2020
Vesting Period	Options vest immediately on grant	Nine equal tranches which vest at the end of each quarter beginning 31 January 2021 and ending 31 January 2023
Vesting conditions	None - Options vest immediately on grant	Continued employment by a member of the Group at each tranche vesting date
Exercise period	Any time between the period beginning on the date of their grant and ending on the Expiry Date, subject to any applicable escrow period	Any time from Vesting Date until Expiry Date
Expiry Date	5 years after grant date	5 years after grant date
Exercise price (pre split)	\$1.20	\$2.50
Exercise price (post split)	\$0.21	\$0.45
Valuation method	Black-Scholes	Black-Scholes
Key valuation inputs	Share price at grant: \$1.20 Volatility: 51.8% Risk free rate: 1.076%	Share price at grant: \$2.50 Volatility: 51.8% Risk free rate: 2.04%
Fair value at grant	\$0.5595	\$1.132
Entitlement to shares	Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of Control Bionics Limited upon exercise of the Option.	Each Option entitles the holder to subscribe for one fully paid share in the capital of Control Bionics Limited upon exercise of the Option.

Accounting policy, including valuation methodology used to value options, is outlined in note 1 and note 2.

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Equity-settled share-based payments (Continued)

Employee option plan (Continued)

Set out below are summaries of options granted under the plan and in existence during the year.

2022

Grant date	Expiry date	Exercise price*	Fair value at grant date	Balance at beginning of the year	Granted during the year	Additions in Share Split*	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year
23/12/2016	23/12/2021	\$ 0.21	335,700	3,365,678	-	-	(3,365,678)	-	-
28/06/2017	28/07/2022	\$ 0.21	355,866	3,567,860	-	-	-	-	3,567,860
13/02/2020	13/02/2025	\$ 0.45	226,781	780,414	-	-	(31,212)	-	749,202
31/08/2021	23/08/2026	\$ 0.65	82,388	-	276,934	-	-	(276,934)	-
			<u>1,000,735</u>	<u>7,713,952</u>	<u>276,934</u>	<u>-</u>	<u>(3,396,890)</u>	<u>(276,934)</u>	<u>4,317,062</u>
Weighted average exercise price:			\$ -	\$ 0.23	\$ -	\$ -	\$ 0.21	\$ -	\$ 0.25

2021

Grant date	Expiry date	Exercise price*	Fair value at grant date	Balance at beginning of the year	Granted during the year	Additions in Share Split*	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year
23/12/2016	23/12/2021	\$ 0.21	335,700	600,000	-	2,765,678	-	-	3,365,678
12/04/2017	12/04/2022	\$ 0.21	5,595	10,000	-	46,095	(56,095)	-	-
28/06/2017	28/07/2022	\$ 0.21	355,866	636,043	-	2,931,817	-	-	3,567,860
13/02/2020	13/02/2025	\$ 0.45	226,781	200,337	-	923,445	(124,850)	(218,518)	780,414
			<u>923,942</u>	<u>1,446,380</u>	<u>-</u>	<u>6,667,035</u>	<u>(180,945)</u>	<u>(218,518)</u>	<u>7,713,952</u>
Weighted average exercise price:			\$ -	\$ 1.38	\$ -	\$ 0.24	\$ 0.38	\$ 0.45	\$ 0.23

* Share split on 15 September 2020 where one share was split into 5.6094 new shares. Exercise price also split in the same ratio.

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2022 Number	2021 Number
23/12/2017	23/12/2021	-	3,365,678
28/06/2017	28/07/2022	3,567,860	3,567,860
13/02/2020	13/02/2025	218,496	124,874
		<u>3,786,356</u>	<u>7,058,412</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Equity-settled share-based payments (Continued)

Employee option plan (Continued)

The weighted average share price during the financial year was \$0.45 (2021: \$0.67).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.47 years (2021: 1.04 years).

For personal use only

CONTROL BIONICS LIMITED


ABN: 45 115 465 462

DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 23 - 68, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) as stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and
 - (c) giving a true and fair view of the financial position as at 30 June 2022 and performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director: 

Roger Hawke

Dated this 24th day of August 2022

For personal use only

INDEPENDENT AUDITOR'S REPORT

To the members of Control Bionics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Control Bionics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; 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 Group in accordance with 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 (including Independence Standards)* (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 describes the events and conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

For personal use only

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.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Impairment of Intangible Assets</i></p> <p>The Group recognises material intellectual property assets of \$4.1m, as detailed in Note 12 to the financial statements. These intangible assets are assessed as having an indefinite useful life. Australian Accounting Standards require intangibles with indefinite useful lives to be tested annually for impairment, and to recognise an impairment charge if the carrying value exceeds recoverable amount.</p> <p>This matter is considered significant to our audit given the material nature of these intangible assets to the Group, and the judgement associated with assessing the recoverable amount of the assets under a relief from royalty method.</p> <p>As a result of their impairment testing, management has concluded that no impairment charge is required on the intellectual property asset as at 30 June 2022.</p>	<p>Our audit procedures in order to address this key audit matter included, but were not limited to;</p> <ul style="list-style-type: none"> • Evaluating the relief from royalty ('RR') model prepared by management to determine the fair value less costs of disposal of the intellectual property. This included assessing arithmetic accuracy of the model, ensuring it was in accordance with Australian Accounting Standards, as well as challenging and substantiating the key assumptions made by management, such as forecast revenue growth, royalty rates and discount rates; • Consulting with our valuation experts in order to assess the reasonableness of the methodology applied throughout the model, the royalty rate and the discount rate; • Reviewing the sensitivity analysis performed on the RR model in order to assess the impact of changes to the key assumptions in the model on the recoverable amount of the assets; and • Ensuring disclosure in the financial statements is adequate and meets the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, 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 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 and is 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 group 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 Group or to cease operations, or has 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 pages 7 to 13 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Control Bionics Limited, for the year ended 30 June 2022, 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.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Gillian Shea', written over a horizontal line.

Gillian Shea
Director

Sydney, 24 August 2022

For personal use only

CONTROL BIONICS LIMITED
ABN: 45 115 465 462

DISTRIBUTION OF EQUITABLE SECURITIES
FOR THE YEAR ENDED 30 JUNE 2022

2022 **2021**
\$ **\$**

The shareholder information set out below was applicable as at 9 August 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	242	0.19
1,001 to 5,000	612	2.08
5,001 to 10,000	354	3.11
10,001 to 100,000	372	11.29
100,001 and over	55	83.34
	1,635	100
Holding less than as marketable parcel	480	0.65

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**EQUITY SECURITY HOLDERS
FOR THE YEAR ENDED 30 JUNE 2022***Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
PETER SHANN FORD	24,826,173	27.44 %
NIGHTINGALE PARTNERS PTY LIMITED	9,117,123	10.08 %
PHOENIX DEVELOPMENT FUND LIMITED	8,019,581	8.86 %
R & R WONG HOLDINGS PTY LIMITED <R & R WONG FAMILY SUPER A/C>	5,906,294	6.53 %
BNP PARIBAS NOMS PTY LTD <DRP>	2,822,242	3.12 %
LOIDL NOMINEES PTY LTD <LOIDL FAMILY A/C>	2,541,289	2.81 %
IRONWOOD INVESTMENTS PTY LIMITED <PHILLIPS SUPER FUND A/C>	1,666,453	1.84 %
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,570,669	1.74 %
PACIFIC ATLANTIC COMMERCE PTY LTD <CORCILLUM SUPER FUND A/C>	1,396,182	1.54 %
WINDWARD CAPITAL PTY LTD <S&L RIX SUPERFUND A/C>	1,118,863	1.24 %
BRINDLE HOLDINGS PTY LTD <O'CONNOR S/F A/C>	1,100,000	1.22 %
SANTIOS PTY LIMITED <THE MCMURRAY FAMILY A/C>	999,219	1.10 %
SCINTILLA STRATEGIC INVESTMENTS LIMITED	890,000	0.98 %
JAMES SCHOREY	834,168	0.92 %
NANDAROO PTY LIMITED	792,202	0.88 %
ROBERT ALLWELL PTY LTD <ROBERT ALLWELL SUPERFUND A/C>	781,757	0.86 %
PAULA DARLING	781,757	0.86 %
HAFNIUM MANAGEMENT PTY LTD <HAFNIUM FAMILY A/C>	758,478	0.84 %
PAUL MAHON	701,183	0.78 %
DARRELL G BLANDFORD	611,303	0.68 %
DIANNA LOUISE COOKE	575,307	0.64 %
Unquoted equity securities	22,668,785	25.04 %
Total issued capital	90,479,028	100.00 %

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	749,268	4

For personal use only

CONTROL BIONICS LIMITED

ABN: 45 115 465 462

**EQUITY SECURITY HOLDERS
FOR THE YEAR ENDED 30 JUNE 2022**

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
PETER SHANN FORD	24,826,173	27.44 %
NIGHTINGALE PARTNERS PTY LIMITED	9,117,123	10.08 %
PHOENIX DEVELOPMENT FUND LIMITED	8,019,581	8.86 %
R & R WONG HOLDINGS PTY LIMITED <R & R WONG FAMILY SUPER A/C>	5,906,294	6.53 %
<i>Unquoted equity securities</i>	47,869,171	52.91 %

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The Group believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 26 October 2020.