

ASX APPENDIX 4D HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2019

1. DETAILS OF REPORTING PERIOD

Name of Entity	HeraMED Limited (“the Company”)
ABN	65 626 295 314
Reporting Period	30 June 2019
Previous Corresponding Period	30 June 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2019 US\$	30 June 2018 US\$	Increase/ (Decrease) %	Amount change US\$
Revenues from ordinary activities	87,899	26,560	230.95%	61,339
Profit/(loss) after tax from ordinary activities attributable to members	(1,361,573)	(599,602)	127.08%	(761,971)
Profit/(loss) after tax attributable to members	(1,361,573)	(599,602)	127.08%	(761,971)

Comparisons to the previous corresponding period are comparisons to historical financial information extracted from Hera Med Ltd (Israel) for the half year ended 30 June 2018.

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

For further information, refer to the review of activities contained in the directors’ report, which forms part of the attached half-year financial report.

3. NET TANGIBLE ASSETS PER SHARE

	30 June 2019 US\$	30 June 2018 US\$
Net tangible asset backing per ordinary security	2.08 cents	(0.97) cents

4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

5. DIVIDEND DETAILS

No dividend has been paid or recommended to be paid for the half-year ended 30 June 2019.

6. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

7. DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

Not Applicable

8. FOREIGN ENTITIES

Not Applicable

9. AUDIT

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.

David Groberman

Mr David Groberman
Chief Executive Officer

27 August 2019



HeraMED Limited

ACN 626 295 314



Half year report for the half-year ended 30 June 2019

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Company Directory

Board of Directors

Dr Ron Weinberger
Mr David Groberman
Mr Tal Slonim
Mr David Hinton
Mr Doron Birger

Non-Executive Chairman
Executive Director/Chief Executive Officer
Executive Director/Chief Operating Officer
Non-Executive Director
Non-Executive Director

Company Secretary

Mr Stephen Buckley

Registered Office

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West Perth, Western Australia 6005
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Postal Address

PO Box 982
West Perth WA 6872

Auditors (Australia)

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Legal Advisers (Australia)

David Selig
Level 11, 52 Phillip Street
Sydney NSW 2000

Legal Advisers (Israel)

Pearl Cohen Zedek Latzer Baratz
Azrieli Sarona Tower, 121 Menachem Begin Rd.
Tel Aviv, Israel 6701203

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Phone: 1300 288 664 (within Australia); +61 2 9698 5414 (outside Australia)
Fax: +61 8 9321 2337
Email: hello@automic.com.au
Web: www.automic.com.au

Stock Exchange

Australian Securities Exchange
Level 40, Central Park
152- 158 St Georges Terrace
Perth WA 6000

ASX Code

HMD

Half year report for the half-year ended 30 June 2019

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Directors' report

The directors of HeraMED Limited ("HeraMED" or "the Company") (ASX: HMD) submit herewith the half-year report of HeraMED Limited and its controlled entities ("the Group") for the half-year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors of the Company during or since the end of the half-year are:

Dr Ron Weinberger	Non-Executive Chairman
Mr David Groberman	Executive Director/Chief Executive Officer
Mr Tal Slonim	Executive Director/Chief Operating Officer
Mr David Hinton	Non-Executive Director
Mr Doron Birger	Non-Executive Director

The above-named directors have been in office since the start of the half-year to the date of this report.

Business and operating review

Operating results

The consolidated loss of the Group for the half-year ended 30 June 2019 after providing for income tax, amounted to \$1,361,573 (30 June 2018: \$599,602). Net assets of the Group for the half-year amounted to \$3,039,734 (31 Dec 2018: \$4,340,038). As at 30 June 2019, the Group had cash and cash equivalents of \$2,545,404 (31 Dec 2018: \$4,033,829).

Review of operations

Highlights

- First order received from Australian distributor partner and B2C platform launched.
- Agreement with Hapvida, one of Brazil's major healthcare providers, marks the first deployment of HMD's pregnancy monitoring service, HeraCARE Pro, trial is progressing with 112 HeraBEAT devices distributed across network.
- Manufacturing agreement with Quasar secured to increase HeraBEAT device production at an improved cost.
- HeraCARE Home platform development - HeraMED to seek guidance from Mayo Clinic and Hapvida for ongoing product development.
- FDA process underway for HeraBEAT device - 510K application submitted.
- Distribution agreements secured in Turkey and Mexico for HeraBEAT.
- Head of Cardiology at the Mayo Clinic, Dr Paul Friedman appointed to HeraMED Advisory Board.
- HeraMED to continue international expansion initiatives during the current period and beyond.

First order from Australian distribution partner

HeraMED has received its first purchase orders of 250 units from the Dale Group International, marking the Company's inaugural sales in Australia.

Agreement with major Brazilian healthcare group

In a milestone, HeraMED received its first order for its cloud based, software as a service (SaaS) pregnancy monitoring service HeraCARE Pro, from Hapvida Saude. Hapvida is one of Brazil's largest healthcare providers, medical insurance companies and hospital owners. Establishing this feature is the first instance that HeraMED will generate additional revenues through its SaaS based business model, HeraCARE. The Company will continue to provide updates around the trial as it progresses.

HeraMED successfully integrated both its HeraBEAT device and HeraCARE Pro platform into Hapvida's Electronic Medical Records, marking the first commercial integration and providing considerable validation.

Hapvida is one of Brazil's largest healthcare providers and hospital owners. It services ~6.5m customers through circa 100 hospitals and 1,000 clinics across 11 states.

The integration phase included rigorous technical testing from Hapvida's team of medical professionals, as well as multiple scenario tests to gauge the efficiency and resilience of the platform and device. HeraMED advises that both HeraCARE and HaraBEAT passed all of these tests and the products reliability and accuracy is now validated.

The integration process now allows for seamless data upload and sharing between HeraBEAT and customised HeraCARE PRO platform. The platform now also supports immediate data upload from HeraBEAT via the cloud to Hapvida's infrastructure enabling the medical team to view analytics in real-time.

112 HeraBEAT devices are being shipped across Hapvida's network of hospitals ahead of a broader pilot trial to test both solutions with the group. HeraMED will provide trial updates as they become available.

Appointment of Dr Arturo Weschler MD to as VP Innovation and HeraCARE and Orion project leader

HeraMED considerably strengthened its management team, following the appointment of leading digital health executive Dr Arturo Weschler MD, as VP of Innovation to lead HeraMED's HeraCARE and OrionAI project.

Dr Weschler has unparalleled experience in the healthcare sector, most notably in his role as Chief Information Officer at the Tel Aviv Sourasky Medical Centre one of Israel's largest healthcare organisations. As VP of Innovation, he will actively promote OrionAI to medical institutions and hospitals globally. HeraMED is progressing discussions with medical institutions and hospitals regarding OrionAI and has received positive feedback.

HeraCARE

Following ongoing cooperation with partners and medical organisations, specifically Hapvida and the Mayo Clinic, HeraMED has enhanced its cloud-based SaaS platform HeraCARE. The Company has devoted focus and resources to project development and has made significant progress to date. HeraMED will now offer two versions of HeraCARE, HeraCARE Home (under development) and HeraCARE PRO.

The HeraCARE platform is designed as modular and customisable platform for healthcare organisations. It includes self-monitoring devices managed by a personalised app running from an expecting mother's mobile device, as well as a cloud-based software solution that connects to any caregiver's IT interface or Electronic Medical System.

The platform facilitates remote monitoring of pregnancy metrics, direct communication between the caregiver and the expecting mother and a machine learning engine designed to provide insights based on the data collected from a large number of pregnancies. The aim of the platform is to improve safety, and reduce costs and labor associated with managing a successful pregnancy.

While the feature set will differ between Home and PRO models, HeraMED advises that cloud-based infrastructure is operational and pilot testing is underway. HeraMED will aim to beta test a version of HeraCARE Home in early 2020.

The business model of HeraCARE Home will be based on recurring revenue generated through a monthly subscription. HeraMED will provide all technological aspects of the platform and local partners such as insurers, employers, healthcare providers and commercial telemedicine companies will manage deployment and provide reservice.

HeraMED is progressing discussions for testing and broader roll out of the HeraCARE PRO solution and looks forward to updating shareholders on developments.

HeraBEAT commercial expansion through Turkey and Mexico

HeraMED has bolstered its global distribution footprint following respective binding Memorandum of Understanding agreements (MOU) in Turkey and Mexico.

HeraMED secured a binding MOU with leading Turkish baby and toddler product distributor, Medizane Inc for the distribution of its HeraBEAT device in Turkey with the potential to expand to other territories. The agreement with Medizane follows strict commercial and clinical due diligence.

The Company also secured an agreement with IBL Holdings Limited to progress the soft launch of HeraBEAT in Mexico. Under the agreement, IBL will distribute the device through its Mexican partner, MacStore. MacStore holds the distribution rights to Apple products in Mexico, which it sells through 48 stores.

MacStore will feature HeraBEAT in designated stores in its network, that will include a specially designed and branded digital health space. IBL will also promote the device across its digital mediums, including its ecommerce site.

HeraMED is finalising all necessary translations for the product customisation with a view to begin sales in the near term

Continued Growth

The board of directors is closely monitoring the Company's progress, its challenges and opportunities. HeraMED continues to achieve commercial milestones on an ongoing basis. HeraMED remains well positioned with enviable global partners and a growing distribution footprint to drive growth

Events subsequent to the reporting period

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected the operations of the Group.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors



Mr David Groberman
Chief Executive Officer
27 August 2019
Tel Aviv, Israel

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF HERAMED LIMITED

As lead auditor for the review of HeraMED Limited for the half-year ended 30 June 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of HeraMED Limited and the entity it controlled during the period.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 27 August 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HeraMED Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of HeraMED Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not 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 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Dean Just

Director

Perth, 27 August 2019

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Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes as set out on pages 8 to 18 are in accordance with the Corporations Act 2001, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that HeraMED Limited 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 directors.

On behalf of the directors

David Groberman

Mr David Groberman
Chief Executive Officer
27 August 2019
Tel Aviv, Israel

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Consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2019

	Consolidated		
	Half-year ended		
	30 Jun 2019	30 Jun 2018	
Note	US\$	US\$	
Revenue	87,899	26,560	
Cost of sales	(62,430)	(31,057)	
Gross profit/(loss)	25,469	(4,497)	
Research and development expenses	(413,856)	(320,149)	
General and administrative expenses	(466,619)	(187,769)	
Sales and marketing expenses	(510,051)	(69,765)	
Depreciation and amortisation expenses	(116,196)	(824)	
Loss before finance expenses	(1,481,253)	(583,004)	
Finance income/(expenses)	119,680	(16,598)	
Loss before income tax expenses	(1,361,573)	(599,602)	
Income tax expense	-	-	
Loss for the period	(1,361,573)	(599,602)	
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences, net of tax	61,270	-	
Other comprehensive income/(loss) for the period	61,270	(599,602)	
Total comprehensive loss for the period	(1,300,303)	(599,602)	
Loss attributable to:			
Owners of HeraMED Limited	(1,361,573)	(599,602)	
Total comprehensive loss attributable to:			
Owners of HeraMED Limited	(1,300,303)	(599,602)	
Loss per share:			
Basic and diluted (cents per share)	8	(1.56)	(0.7)

Condensed notes to the consolidated financial statements are included on pages 12 to 18.

Consolidated statement of financial position as at 30 June 2019

	Note	Consolidated	
		30 Jun 2019 US\$	31 Dec 2018 US\$
Current assets			
Cash and cash equivalents		2,545,404	4,033,829
Trade and other receivables		158,673	121,600
Inventory		93,040	105,311
Prepayments		39,407	55,590
Total current assets		2,836,524	4,316,330
Non-current assets			
Intangible assets	11	1,221,112	1,193,153
Property, plant and equipment		17,945	15,529
Total non-current assets		1,239,057	1,208,682
Total assets		4,075,581	5,525,012
Current liabilities			
Trade and other payables		394,683	470,520
Other financial liability		29,870	29,870
Total current liabilities		424,553	500,390
Non-current liabilities			
Other non-current liabilities		161,906	157,220
Other financial liability		449,388	527,365
Total non-current liabilities		611,294	684,585
Total liabilities		1,035,847	1,184,975
Net assets		3,039,734	4,340,037
Equity			
Issued capital	4	9,822,642	9,822,642
Reserves	5	1,740,558	1,679,288
Accumulated losses		(8,523,466)	(7,161,893)
Total equity		3,039,734	4,340,037

Condensed notes to the consolidated financial statements are included on pages 12 to 18.

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Consolidated statement of changes in equity as at 30 June 2019

Consolidated

	Issued capital	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2018	2,998,771	601,687	-	-	(3,395,413)	205,045
Loss for the period	-	-	-	-	(599,602)	(599,602)
Other comprehensive income, net of income tax	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(599,602)	(599,602)
Share issued	554,906	-	-	-	-	554,906
Share-based payments	-	257,978	-	-	-	257,978
Balance at 30 June 2018	3,553,677	859,665	-	-	(3,995,015)	418,327
Balance at 1 January 2019	9,822,642	2,011,417	(133,879)	(198,250)	(7,161,893)	4,340,037
Loss for the period	-	-	-	-	(1,361,573)	(1,361,573)
Other comprehensive income, net of income tax	-	-	-	61,270	-	61,270
Total comprehensive loss for the period	-	-	-	61,270	(1,361,573)	(1,300,303)
Shares issued	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
Balance at 30 June 2019	9,822,642	2,011,417	(133,879)	(136,980)	(8,523,466)	3,039,734

Condensed notes to the consolidated financial statements are included on pages 12 to 18.

Consolidated statement of cash flows for the half-year ended 30 June 2019

	Note	Consolidated	
		Half-year ended	
		30 Jun 2019 US\$	30 Jun 2018 US\$
Cash flows from operating activities			
Receipts from customers		150,018	32,182
Payments to suppliers and employees		(1,596,212)	(145,596)
Interest received		1,010	-
Net cash used in operating activities		(1,445,184)	(113,414)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(5,230)	-
Payments for capitalised development costs	11	(141,339)	(172,887)
Investment in restricted deposit		-	(2,044)
Net cash used in investing activities		(146,569)	(174,931)
Cash flows from financing activities			
Net proceeds from equity instruments of the Company		-	493,706
Proceeds from convertible notes		-	1,240,755
Net cash provided by financing activities		-	1,734,461
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		4,033,829	45,604
Impact of movement in foreign exchange rates		103,328	-
Cash and cash equivalents at the end of the period		2,545,404	1,491,720

Condensed notes to the consolidated financial statements are included on pages 12 to 18.

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Condensed notes to the consolidated financial statements for the half-year ended 30 June 2019

1. General information

HeraMED Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The Group's registered office and principal place of business is disclosed in the corporate directory.

This half-year financial report was authorised for issue by the directors on 27 August 2019.

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include full disclosure of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this half-year report be read in conjunction with any public announcements made by HeraMED Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the ASX Listing Rules.

Basis of measurement and reporting conventions including capital reorganisation

The half-year report has been prepared on an accruals basis and is based on historical cost. Cost is based on the fair values of the consideration given in exchange for assets. The half-year report is presented in United States dollars (US\$) and all values are rounded to the nearest dollar unless otherwise stated.

On 10 December 2018, HeraMED Limited ('HMD') completed a transaction with the shareholders of Hera Med Ltd ('HeraMed Israel') to acquire 100% of the share capital of HeraMed Israel in exchange for 33,728,841 shares and 3,671,159 options exercisable at A\$0.00002. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as HMD was established for the sole purpose of facilitating the listing process and to acquire HeraMed Israel by way of an equity swap.

Consequently, the comparatives in this half-year report presents the results of HeraMed Israel for the period from 1 January 2018 to 30 June 2018.

The accounting policies adopted are consistent with the accounting policies adopted in HMD's last annual financial statements for the year ended 31 December 2018.

2. Application of new and revised Australian Accounting Standards

2.1 Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

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 the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities

(included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

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.

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.

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.

As a result of the adoption of AASB 16 Leases, management has assessed their worldwide lease commitments and determined that this accounting standard does not have an impact on the statement of financial position or statement of comprehensive income due to the short-term nature of all leases.

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 17 <i>Insurance Contracts</i>	1 January 2021
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020
AASB 2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020

3. Significant accounting policies

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss for the half-year ended 30 June 2019 of \$1,361,573 (30 June 2018: \$599,602) and net cash outflows used in operating activities was \$1,445,184 (30 June 2018: \$113,414).

Whilst the Company is expected to be cash-flow negative in the foreseeable future as a result of continued expenditures, the ability of the Group to continue as a going concern is dependent on securing additional funding through equity to continue to fund its operational and technology development activities. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report and that sufficient funds will be available to finance the operations of the Group for the following reasons:

- the Group has recently been successful in raising equity and is planning to raise further funds;
- the level of expenditure can be managed; and
- the directors of HeraMED have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the sale of the Group's products and services.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional through equity raisings and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

The directors plan to continue the Group's operations on the basis outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve months from the date of this report.

Revenue Recognition

Revenue is recognised based on the five-step model outlined in *AASB 15, Revenue from Contracts with Customers*.

The Company derives its revenues from:

- the sale of goods; and
- software licenses and services SAAS (planned).

Revenue from sales of goods

Revenue from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable. When the credit period is short and constitutes the accepted credit in the industry, the future consideration is not discounted.

Revenue is recognised when performance obligation is satisfied, i.e. when control of the goods has transferred, being when the goods are delivered to the customer. Delivery occurs when the product has been trucked to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the product in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from software licenses and services SAAS

Revenue derived from software license agreements are recognised, upon delivery of the software, when the Company provides the customer a right to use the Company's intellectual property, when collection is probable, the license fee is otherwise fixed or determinable, persuasive evidence of an arrangement exists.

For contracts that consist of more than one performance obligation, at contract inception the Company allocates the contract transaction price to each performance obligation identified in the contract (the license and the service) on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Company would sell the promised goods or services separately to a customer.

4. Issued capital**(a) Share capital**

	30 Jun 2019 US\$	31 Dec 2018 US\$
87,528,841 (31 Dec 2018: 87,528,841) fully paid ordinary shares	9,822,642	9,822,642

(b) Movement in ordinary capital

	No. of shares	Total (US\$)
Opening balance as at 1 January 2019	87,528,841	9,822,642
Closing balance as at 30 June 2019	87,528,841	9,822,642

(c) Capital management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are deposited with major financial institutions.

(d) Deferred Consideration Shares

In addition to the number of shares disclosed above, there are also 23,000,000 deferred consideration shares to be issued (19,550,000 to Vendors and 3,450,000 to Corporate Advisors) subject to the satisfaction of certain performance milestones within 36 months of the date of quotation ("Deferred Consideration Shares").

The performance milestones are as follows:

- 19,550,000 Deferred Consideration Shares to Vendors to be issued as follows:
 - 5,525,000 shares subject to the Company obtaining FDA approval for HeraBEAT to be used as a clinical medical device in the USA within 12 months of listing on the ASX.
 - 5,525,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
 - 8,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.
- 3,450,000 Deferred Consideration Shares to Corporate Advisors to be issued as follows:
 - 975,000 shares subject to the Company obtaining FDA approval for HeraBEAT to be used as a clinical medical device in the USA within 12 months of listing on the ASX.
 - 975,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
 - 1,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.

The Deferred Consideration Shares will convert into ordinary shares on the achievement of the respective milestones.

For the half-year ended 30 June 2019, no share-based payment expense has been recognised in respect of these Deferred Consideration Shares as there had been no changes to management's assessed probabilities of milestone achievement since 31 December 2018.

5. Reserves

	30 Jun 2019	31 Dec 2018
	US\$	US\$
a) Share-based payment reserve		
27,271,159 (31 December 2018: 27,271,159) options on issue	2,011,417	2,011,417

There was no movement in the share-based payment reserve for the period ended 30 June 2019.

	30 Jun 2019	31 Dec 2018
	US\$	US\$
b) Foreign currency translation reserve		
Closing balance	(136,980)	(198,250)

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

	30 Jun 2019	31 Dec 2018
	US\$	US\$
c) Predecessor accounting reserve		
Closing balance	(133,879)	(133,879)

The reserve arises from the capital reorganisation and records the net liabilities of HeraMED Limited as at the acquisition date of 10 December 2018.

6. Share-based payments

There were no share-based payment arrangements entered into by the Group during the half-year ended 30 June 2019.

7. Dividends

The Company did not pay or propose any dividends in the half-year to 30 June 2019.

8. Loss per share

	30 Jun 2019	30 Jun 2018
	US cents per share	US cents per share
Basic and diluted loss per share	(1.56)	(0.7)

8.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	30 Jun 2019	30 Jun 2018
	US\$	US\$
Loss for the year attributable to the owners of the Company	(1,361,573)	(599,602)

	30 Jun 2019	30 Jun 2018
	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	87,528,841	87,528,841

The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the half-year ended 30 June 2018 has been adjusted to reflect the capital reorganisation. The weighted average number of shares outstanding for the half-year ended 30 June 2018 is based on the weighted average number of shares of HeraMED Limited outstanding in the period following the Acquisition.

9. Commitments

There has been no significant change in commitments since the last annual report. Please refer to the 31 December 2018 annual financial report.

10. Contingencies

The Group has no known contingencies as at 30 June 2019.

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11. Intangible assets

	30 Jun 2019	31 Dec 2018
	US\$	US\$
Cost (1)	1,536,049	1,394,710
Accumulated amortisation	(314,937)	(201,557)
Net carrying amount	1,221,112	1,193,153

Cost	Purchase license US\$	Development costs US\$	Total US\$
Balance at 1 January 2018	-	1,125,785	1,125,785
Additions (2)	96,038	172,887	268,925
Amortisation expense	-	(201,557)	(201,557)
Balance at 31 December 2018	96,038	1,097,115	1,193,153
Movements:			
Opening net book amount at 1 January 2019	96,038	1,097,115	1,193,153
Additions	-	141,339	141,339
Amortisation expense	-	(113,380)	(113,380)
Balance at 30 June 2019	96,038	1,125,074	1,221,112

(1) The Company capitalised development costs that are attributable to the HeraBEAT product. This is in accordance with the Company's accounting policy on intangible assets.

(2) Prior to the acquisition of Hera Med Ltd (Israel) by the Company, Hera Med Ltd (Israel) issued shares to Mayo Foundation for Medical Education Research ("Mayo") as consideration for a research and development license with Mayo.

12. Events occurring after the reporting period

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected the operations of the Group.