

# Simavita

## ASX ANNOUNCEMENT

### Simavita reports full year financial results

For Immediate Release:

August 30, 2019

#### Highlights:

- Total comprehensive loss after tax for the full year ended June 30, 2019 was \$3.92m million a decrease of 21% on the prior corresponding period.
- Total income for the full year was \$ 910k, a decrease of 18% on the prior corresponding period. Whilst income has decreased, expenses have decreased by a greater proportion through the elimination of unprofitable legacy systems resulting in a reduction in the overall loss incurred by the Company.
- Implementation of the Next Steps Strategy to focus on short term commercialisation outcomes associated with the Company's new Smartz™ (formerly AlertPLUS™) platform technology.
- Cash balance recorded at the end of 30 June 2019 was \$689k before post balance date receipts of \$750k from the issue of Convertible Notes.

**Sydney, Australia** – Simavita Limited (ASX: SVA;) (“Simavita” or the “Company”) is pleased to release its financial results for the full year ended June 30, 2019, together with an accompanying ASX Appendix 4E.

Key points from the Appendix 4E include:

- A total comprehensive loss after tax for the full year ended June 30, 2019 of \$3.92 million, representing a decrease of \$1.01 million, or 21%, over the loss for the previous full year. This result was achieved by eliminating loss making legacy product.
- Sales generated by the Company from the sale of its legacy Smart Incontinence Management (SIM™) product and AssessPLUS™ solutions were \$0.18m, a decrease of \$ 0.22m or 55%, as compared to the corresponding period in the previous year. Total income for the full year was \$0.91m, a decrease of 18% on the prior corresponding period. As foreshadowed in the half year accounts, the Company has moved away from small unprofitable sales and redirected its resources to building new partnerships and strategic relationships to generate sustainable and profitable business.
- Total operating expenses of \$4.69m (excluding share-based expenses) decreased by \$1.05m or 18% compared to \$5.74m in the previous year. In addition, the Company incurred \$0.056m in share-based expenses compared to \$0.084m in the previous year. Overall total expenses reduced by \$1.07m or 19% compared to last year.
- Total cash reserves of the Simavita Group as at June 30, 2019 were \$ 0.689m before post balance date receipts of \$0.75m from the issue of Convertible Notes.

#### Strategy Execution

The Company has a very clear focus on executing its Next Steps Strategy to bring the Company's leading platform technology to market.

The Company can now deliver sensors and a portfolio of Apps that meet a clear demand for change in major markets. Our platform technology, Smartz™, delivers cost effectiveness as well as better and timely information to address all segments of the international adult incontinence and infant diaper industry. Smartz™ is Simavita's flagship product. It represents over 10 years of accumulated development, knowledge and significant investment by the Company. Smartz™ is a platform of applications which are designed to enable carers and parents with young children to spend more quality time. Smartz™ takes the worry out of care.

Importantly, we are working closely with a number of major organisations in high speed manufacture and consumer testing of Smartz™. In the short term, we are working hard on a rapid route to market including full regulatory approval to sell product in major markets. These are major market opportunities. The sale and negotiation process with partner organisations is often long and complex. Nonetheless, we are seeing enormous shift in focus toward smart product in our target markets. The Company is committed to informing the market of our developments at points in time when these developments translate into material sales agreements.

Our target market annually generates USD65bn in product sales and spans across adult, including aged (institutional and community) as well as disability and rehabilitation markets through to major markets associated with infant care.

Looking forward to FY20, additional funding will be required to assist in rolling out the Next Steps Strategy. We will keep the market informed of these developments

For further information, please view our website ([www.simavita.com](http://www.simavita.com)) or contact:

Ms Peta Jurd  
Chief Commercial Officer

E: [pjurd@simavita.com](mailto:pjurd@simavita.com)  
T: +61 421 466 653  
W: Investor Centre: [Click here](#)

#### **About Simavita**

Simavita (ASX: SVA) is a MedTech Company focused on the development of smart, wearable and disposable platform technologies for the health care market.

Our key platform Smartz™ (formerly AlertPLUS™) is a highly disruptive technology focused on transforming a traditional “dumb” diaper into a smart device to help parents and carers of both infants and adults.

With the support of our CDI holders, customers and employees, Simavita is absolutely committed to the business at hand; creating a commercially successful and growing corporation. [www.simavita.com](http://www.simavita.com)

#### *Forward-Looking Information*

*This document may contain “forward-looking information” within the meaning of Canadian securities laws (“forward-looking information”). This forward-looking information is given as of the date of this document.*

*Forward-looking information relates to future events or future performance and reflects Simavita management’s expectations or beliefs regarding future events. Assumptions upon which such forward-looking information is based include that Simavita will be able to successfully execute on its business plans, including licensing agreements, signing new customers, growth plans, cost reductions and entry into new markets. Many of these assumptions are based on factors and events that are not within the control of Simavita and there is no assurance they will prove to be correct.*

*In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “potential”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or information that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By its very nature forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Simavita to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, risks related to actual results of current business activities; changes in business plans and strategy as plans continue to be refined; other risks of the medical devices and technology industry; delays in obtaining governmental approvals or financing or in the completion of development activities; as well as those factors detailed from time to time in Simavita’s interim and annual financial statements and management’s discussion and analysis of those statements. Although Simavita has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Simavita provides no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.*

**Appendix 4E - Preliminary Final Report for the year ended June 30, 2019  
Simavita Limited (ARBN 165 831 309) and Subsidiaries**

Lodged with the ASX under Listing Rule 4.3A

**Contents**

	Page
Results for Announcement to the Market <i>Appendix 4E item 2</i>	2
Preliminary Consolidated Statement of Comprehensive Income <i>Appendix 4E item 3</i>	5
Preliminary Consolidated Statement of Financial Position <i>Appendix 4E item 4</i>	6
Preliminary Consolidated Statement of Changes in Equity <i>Appendix 4E item 5</i>	7
Preliminary Consolidated Statement of Cash Flows <i>Appendix 4E item 6</i>	8

**1 Company details**

This report covers Simavita Limited (Simavita or Company) and the entities it controlled during the financial year ended June 30, 2019 (Simavita Group or Group or Consolidated Group), for the financial year ended June 30, 2019 (FY 2019).

The previous corresponding period is the year ended June 30, 2018 (FY 2018).

The financial statements are presented in Australian dollars (unless otherwise stated).

## 2 Results for announcement to the market

		Reporting Period	Movement from Previous Period	
2.1	Consolidated income from ordinary Activities (incl. other income)	\$905,090	Decreased by \$204,161	Decreased by 18%
2.2	Consolidated loss from ordinary activities after tax attributable to Members of the Group	(\$3,934,216)	Reduced by \$1,008,079	Reduced by 20%
2.3	Consolidated loss attributable to Members of the Group	(\$3,934,216)	Reduced by \$1,008,079	Reduced by 20%

### 2.4 Dividends

No dividends were paid during the Reporting Period or the Previous Period, nor are any proposed as at the date of this Appendix 4E.

### 2.5 Record date for determining entitlements to dividends

Entitlements to dividends: Not applicable.

### 2.6 Details of dividend reinvestment plans

The Group does not have a Dividend Reinvestment Plan as at the date of this Appendix 4E.

### 2.7 Simavita overview

Strategic Business Review and Refocus

During the year the Group completed its PIVOT strategy to materially reduce operating costs and to focus upon the delivery of a business model and software platform technology Smartz™ (formerly AlertPLUS™) which the Company believes has market demand and may deliver a strong and profitable business. The Company is now embarking on its Next Steps strategy. Our focus is to bring the Group's leading platform technology to market.

Smartz™ is available for adult and infant markets. It is, we believe, an industry disruptive, platform technology. The technology will be licensed to major manufacturers for sale to distributors, retailers and aged care institutions. It has three components which may be modified to suit product and market requirements. Components include:

> An integrated electronic sensor which forms part of the diaper materials. The sensor is added to the diaper during manufacture and does not require modification to manufacturing equipment or the manufacturing process, nor does the addition of the sensor impact manufacturing efficiency. Current estimates of the cost of a standard sensor indicate it will be immaterial to the input costs of each diaper. Importantly, the sensor may be adapted to specified diaper types.

> A low cost, multi-use, data capture device which is clipped to the end of each diaper. The ideal low cost specification for this device is Bluetooth. However, it may be modified to utilize WIFI. Furthermore, the device may be adapted to cater for environmental and specific health and safety requirements.

> A multi-OS downloadable APP including Android, Windows and IOS from Apple iTunes developed and modified to suit market requirements. APPs may support multiple languages as well as functionality required by users.

Smartz™ provides objective, timely and cost effective information about the wellness and well being of people wearing the Smartz™ diaper. It delivers meaningful data on key clinical conditions such as pressure sores, falls, hydration, temperature as well as diaper wetness.

The Group can now deliver sensors and a portfolio of APPS that meet a growing demand for change in major markets. The operation of the Smartz™ platform represents a clear unmet market need to provide low cost product to a rapidly growing US\$53bn diaper market for infants and a US\$11bn market for adult incontinence pads. It is our view that this market has failed to materially change in over 25 years prior to our platform development.

Smartz™ complements AssessPLUS™ which is the portable, highly automated solution that is simple to use and an efficient method of assessing incontinence. AssessPLUS™ rapidly generates evidence based care plans for both home use and aged care operators. Over time, the AssessPLUS™ functionality will transition to the Smartz™ platform.

Simavita has been granted patented rights to this core technology.

The Group's continued focus on cost management has resulted in the reduction of operating costs.

The Group's sales strategy is to license our Smartz™ platform technology to major manufacturers whilst continuing to focus on government payers who support the disabled and aged. This shift in strategy has seen the Group largely eliminate those activities associated with direct sales. Going forward the Group will not hold inventory. The future strategy is based upon sustainable, high margin license fees with costs remaining proportionally flat. This shift in strategy has allowed reallocation of resources to focus on partnering our products. As previously foreshadowed, for the current period this has impacted sales receipts. Despite this, the net result has been a reduction in the loss incurred by the Group.

## 2.8 **Explanation of revenue and profit/ loss from ordinary activities after tax**

The preliminary total comprehensive loss is below the prior year by \$1,014,070 due primarily to:

> Total operating expenses of \$4,695,637 (excluding share-based expense) had a decrease of 18% to FY 2018

> Total income (including other income) for the reporting period was \$905,090 a decrease of 18% to FY 2018. Sales have fallen from \$411,344 for the year ending 30 June 2018 to \$184,576 for the year to 30 June 2019.

> Total comprehensive loss for the year was \$3,932,355 a decrease of \$1,014,070 or 21% compared to FY 2018

## 2.9 **Net tangible assets**

The consolidated net tangible assets as at the end of the Reporting Period were negative \$0.01 per share.

## 2.10 **Control gained or loss over entities**

During the Reporting Period, the Group did not gain or lose control of any entities.

## 2.11 **Details of associates and joint venture entities**

As at the end of the Reporting Period, the Group had no interest in any associate or joint venture.

## 2.12 Foreign entities

Simavita Limited (the “Group”) was incorporated under the laws of the Yukon Territory on May 28, 1968 and continued under the laws of the Province of British Columbia, Canada on December 3, 2013.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board. The Group is a for-profit entity for the purpose of preparing the financial statements.

The financial statements comprise the consolidated financial statements of the consolidated entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

## 2.13 Audit status

The appendix 4E is based on accounts which have been audited. The audit report is included within the financial report which accompanies this Appendix 4E.

## 2.14 Attachments

The preliminary financial statements of the Group for the year ended June 30, 2019 are attached.

### Signed on behalf of Simavita Limited



**Peta C. Jurd**

*Company secretary*

Dated this 30th day of August 2019.

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
Revenue	184,576	411,344
Cost of sales	<u>(86,969)</u>	<u>(220,181)</u>
Gross profit	<u>97,607</u>	<u>191,163</u>
Other income	720,514	697,907
Expenses		
Finance costs	(224,663)	(233,614)
General and administration	(1,870,821)	(2,093,952)
Occupancy costs	(143,219)	(376,677)
Research and development	(1,109,442)	(1,207,680)
Sales, marketing and distribution	(1,347,492)	(1,834,932)
Share-based payments expense	<u>(56,700)</u>	<u>(84,510)</u>
Loss before income tax	<u>(3,934,216)</u>	<u>(4,942,295)</u>
Income tax	-	-
Loss for the year	<u>(3,934,216)</u>	<u>(4,942,295)</u>
Other comprehensive income		
Items that may be subsequently reclassified to profit/ (loss)		
Translation of foreign operation	1,861	(4,130)
Total comprehensive loss for the year	<u>(3,932,355)</u>	<u>(4,946,425)</u>
	Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:		
Basic loss per common share	(0.01)	(0.02)
Diluted loss per common share	(0.01)	(0.02)
Earnings per share for loss attributable to the ordinary equity holders of the Group:		
Basic loss per common share	(0.01)	(0.02)
Diluted loss per common share	(0.01)	(0.02)

The accompanying notes form an integral part of these consolidated financial statements

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	<b>Consolidated</b>	
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
	\$	\$
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	689,462	1,361,484
Trade and other receivables	695,934	792,934
Inventories	-	207,008
Other assets	<u>140,300</u>	<u>167,875</u>
Total Current Assets	<u>1,525,696</u>	<u>2,529,301</u>
Non-Current Assets		
Property, plant and equipment	149,869	8,315
Intangible assets	<u>23,113</u>	<u>29,123</u>
Total Non-Current assets	<u>172,982</u>	<u>37,438</u>
Total Assets	<u><u>1,698,678</u></u>	<u><u>2,566,739</u></u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Current Liabilities		
Trade and other payables	398,609	576,010
Borrowings	3,248,934	3,533,041
Provisions	<u>197,343</u>	<u>143,370</u>
Total Current Liabilities	<u>3,844,886</u>	<u>4,252,421</u>
Non-Current Liabilities		
Provisions	<u>8,578</u>	<u>80,074</u>
Total Non-Current Liabilities	<u>8,578</u>	<u>80,074</u>
Total Liabilities	<u><u>3,853,464</u></u>	<u><u>4,332,495</u></u>
Shareholders' Equity		
Share capital	69,729,681	66,243,056
Reserves	1,502,308	1,811,130
Accumulated losses	<u>(73,386,775)</u>	<u>(69,819,942)</u>
Total Shareholders' Equity	<u>(2,154,786)</u>	<u>(1,765,756)</u>
Total Liabilities and Shareholders' Equity	<u><u>1,698,678</u></u>	<u><u>2,566,739</u></u>

The accompanying notes form an integral part of these consolidated financial statements

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Share Capital \$	Reserves \$	Accumulated Losses \$	Totals \$
Balance at July 1, 2017	<u>66,243,056</u>	<u>2,914,723</u>	<u>(66,061,620)</u>	<u>3,096,159</u>
Net Loss for the year	-	-	(4,942,295)	(4,942,295)
Other comprehensive income, net of tax	-	(4,130)	-	(4,130)
Total comprehensive loss for the period	<u>-</u>	<u>(4,130)</u>	<u>(4,942,295)</u>	<u>(4,946,425)</u>
<i>Transactions with owners</i>				
Issue of common shares for cash	-	-	-	-
Movement in Share-based payments reserve	-	84,510	-	84,510
Reversal of lapsed options vested not exercised	-	(1,183,973)	1,183,973	-
Equity transaction costs	-	-	-	-
Cancellation of fractional shares	-	-	-	-
Total transactions with owners	<u>-</u>	<u>(1,099,463)</u>	<u>1,183,973</u>	<u>84,510</u>
Balance at June 30, 2018	<u>66,243,056</u>	<u>1,811,130</u>	<u>(69,819,942)</u>	<u>(1,765,756)</u>
Balance at July 1, 2018	66,243,056	1,811,130	(69,819,942)	(1,765,756)
Net Loss for the year	-	-	(3,934,216)	(3,934,216)
Other comprehensive income, net of tax	-	1,861	-	1,861
Total comprehensive loss for the year	<u>-</u>	<u>1,861</u>	<u>(3,934,216)</u>	<u>(3,932,355)</u>
<i>Transactions with owners</i>				
Issue of common shares for cash	2,155,000	-	-	2,155,000
Issue of common shares from conversion of convertible notes	1,441,808	-	-	1,441,808
Movement in share-based payments reserve	-	56,700	-	56,700
Reversal of lapsed options vested not exercised	-	(367,383)	367,383	-
Equity transaction costs	<u>(110,183)</u>	<u>-</u>	<u>-</u>	<u>(110,183)</u>
Total transactions with owners	<u>3,486,625</u>	<u>(310,683)</u>	<u>367,383</u>	<u>3,543,325</u>

The accompanying notes form an integral part of these consolidated financial statements

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Consolidated</b>	
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
	\$	\$
Cash flows from /(used in) operating activities		
Loss for the year	(3,934,216)	(4,942,295)
Non-cash items		
Depreciation and amortization	18,637	50,670
Share-based payments expenses	56,700	84,510
Unrealized foreign exchange movements	3,972	(10,497)
Accrued interest on borrowings and convertible notes	211,721	172,619
Changes in working capital		
(Increase)/decrease in receivables	97,000	544,495
(Increase)/decrease in inventories	207,008	283,620
(Increase)/decrease in prepayments	27,575	(61,210)
Increase/(decrease) in payables	(177,401)	(160,594)
Increase/(decrease) in provisions	(17,523)	(41,321)
Net cash flows from/(used in ) operating activities	<u>(3,506,527)</u>	<u>(4,080,003)</u>
Cash flows from/(used in) investing activities		
Purchases of plant and equipment	(154,181)	(177)
Purchases of intangible assets	-	(224)
Proceeds from the sale of plant and equipment	-	-
Net cash flows from/(used in ) investing activities	<u>(154,181)</u>	<u>(401)</u>
Cash flows from/(used in) financing activities		
Proceeds from the issue of shares by the Company	2,155,000	-
Proceeds from the borrowings	253,754	1,305,461
Proceeds from the issue of convertible notes	1,390,000	2,750,000
Repayment of the borrowings	(708,871)	(695,039)
Equity transaction costs	(110,183)	-
Net cash flows from/(used in ) financing activities	<u>2,979,700</u>	<u>3,360,422</u>
Net increase/(Decrease) in cash and cash equivalents held	(681,008)	(719,982)
Cash and cash equivalents at the beginning of year	1,361,484	2,072,353
Net foreign exchange differences on cash and cash equivalents	<u>8,986</u>	<u>9,113</u>
Cash and cash equivalents at the end of year	<u>689,462</u>	<u>1,361,484</u>

The accompanying notes form an integral part of these consolidated financial statements

**Simavita**

**SIMAVITA LIMITED AND  
CONTROLLED ENTITIES**

(ARBN 165 831 309)

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**June 30, 2019**

**ASX CODE: SVA**

For personal use only

# SIMAVITA LIMITED

ARBN 165 831 309

## Directors' Report

The Directors submit their report on the consolidated entity consisting of Simavita Limited and the entities it controlled at the end of June 30, 2019. Throughout the report, the consolidated entry is referred to as the group.

## Directors

The names of the Directors of Simavita Limited who held office during the year and to the date of this report are:

Michael R Spooner

Gary W Pace

Damien M Haakman (appointed December 11, 2018)

Warren R Bingham (resigned December 11, 2018)

Alan D Fisher (appointed July 22, 2019)

## Company Secretary

Peta C Jurd

Mr. Graeme Blackett was appointed for the purposes of ASX Listing Rule 12.6 on June 27, 2019 replacing Emma Lawler who resigned effective the same day. Ms Jurd continues as Company Secretary and Ms. Jurd and Mr. Blackett are responsible for communications between the Company and ASX. Mr. Blackett has over 25 years' experience as a company secretary and is a fellow of the Governance Institute of Australia. He has been employed by Company Matters Pty Ltd as a Senior Company Secretary since 2018. Prior to this, Mr. Blackett held company secretarial and governance roles with National Australia Bank, ASIC, AMP and Westfield Group.

## Group Overview

Simavita Limited is a public company incorporated in Canada and it is the Ultimate parent company for four wholly-owned subsidiaries:

Simavita Holdings Limited

Simavita (Aust) Pty Ltd

Fred Bergman Healthcare Pty Ltd

Simavita US Inc.

## Principal place of business

Principal place of business for the Group is Suite 2.02, Level 2, 54 Miller Street, North Sydney NSW 2060 Australia.

The country of incorporation of the ultimate parent and controlling entity of the Group is in Canada.

## Principal activities

The Simavita Group of companies (the "Group") is one of the world leaders in the development of smart, wearable and disposable sensors for the global diaper industry. The Group is focused upon major and rapidly growing markets for adult and infant diapers which currently amount to over USD\$64bn annually.

The Group's product range now encompasses a comprehensive spectrum of electronic sensors and systems from incontinence assessment through to everyday use including:

> Smartz™ is our new core platform technology. Smartz™ is a hyper low cost, completely disposable product linked to smart devices including phones and tablets. Our target market includes adult and infant users for all geographies.

**Principal activities (continued)**

> AssessPLUS™ a low cost, easy to use and highly graphical electronic assessment tool for community users including the aged and disabled.

Simavita operates in Australia, Europe and North America where there is a significant and growing demand for products that deliver real clinical and cost benefits to the health care industry.

**Information on Directors**

The following information is current as at the date of this report.

***M R Spooner B Comm ACA - Executive Chairman***

Experience and expertise	Independent non-executive Director and Chairman since April 27, 2016 and executive Chairman since July 22, 2019. Extensive experience as a Director in medical device, biologics and pharmaceutical companies. Previously a Partner with major international consulting firms. Member of Institute of Chartered Accountants ANZ since 1983.
Other current directorships	Non-executive Director of Mesoblast Limited since 2004. Non-executive Chairman of MicrofluidX since February 2018.
Former directorships in last 3 years	None.
Special responsibilities	Chairman of the Board. Member of the Audit and Risk Committee.
Interests in shares and options	6,279,922 options issued at \$0.05 with an expiry date of June 23, 2023.

***Dr G W Pace B Sc (Hons 1) Ph.D.***

Experience and expertise	Independent non-executive Director since April 27, 2016. More than 40 years of experience in the development and commercialization of advanced life sciences and related technologies, spanning biotechnology, pharmaceuticals, medical devices and food industries. Fellow of the Australian Academy of Technology Sciences and Engineering.
Other current directorships	Antisense Therapeutics Ltd since 2015. Pacira Pharmaceuticals since 2008.
Former directorships in last 3 years	Transition Therapeutics from 2002 to 2016. ResMed Inc. from 1995 to 2019.
Special responsibilities	Member of the Audit and Risk Committee.
Interests in shares and options	6,279,922 options issued at \$0.05 with an expiry date of June 23, 2023.

## Information on Directors (continued)

**D M Haakman B Comm**

Experience and expertise	Non-executive Director since December 11, 2018. Extensive experience in private family office, which manages a diverse portfolio of assets including medical technology and connected smart devices. Graduate member of the Australian Institute of Company Directors.
Other current directorships	Dussman Pty Ltd since 2004.
Former directorships in last 3 years	Simavita Ltd 2013 until 2016.
Special responsibilities	Member of the Audit and Risk Committee.
Interests in shares and options	385,757 CDIs and further 101,247,517 held by Dussman Pty Ltd where Mr. Haakman is a shareholder and director.

**A D Fisher B Comm**

Experience and expertise	Independent non-executive Director since July 22, 2019. Extensive experience as a corporate advisor and professional director specialising in M&A, strategic advice, business restructurings and capital raisings. Previously he spent 24 years at global accounting firm where he headed and grew the Melbourne Corporate Finance Division. Is a fellow of Institute of Chartered Accountants ANZ and a member of the Australian Institute of Company Directors.
Other current directorships	Non- Executive Chair of Centrepoin Alliance Limited and IDT Australia Limited Non-Executive Director and Chair of the Audit and Risk Committee of Thorney Technologies Limited and Bionomics Limited
Former directorships in last 3 years	None
Special responsibilities	Chairman of the Audit and Risk Committee.
Interests in shares and options	None

**Meetings of Directors**

The numbers of meetings of the Group's Board of Directors and each Board committee held during the year ended June 30, 2019 and the numbers of meetings attended by each Director were:

	<i>Full meetings of Directors</i>		<i>Audit and Risk Committee</i>	
	A	B	A	B
M R Spooner	25	25	2	2
G W Pace	25	25	2	2
D M Haakman	17	17	1	1
W R Bingham	8	8	1	1

A= Number of meetings held during the time the Director held office

B= Number of meetings attended

## Remuneration Report

The Remuneration Report, which has been disclosed voluntarily, describes the Non-Executive Directors and Key Management Personnel ('KMP') remuneration arrangements for the Group.

The Remuneration Report contains the following sections:

- A: Key management personnel covered in this report
- B: Principles used to determine the nature and amount of remuneration
- C: Details of remuneration
- D: Share-based compensation
- E: Directors and KMP Service Agreements
- F: Other transactions

### A: Key management personnel covered in this report

<b>Directors</b>
Michael R. Spooner
Dr. Gary W. Pace
Damien M. Haakman (appointed December 11, 2018)
Warren R. Bingham (resigned December 11, 2018)

### Other key management personnel

<b>Name</b>	<b>Position</b>
Peta C. Jurd	Company's Chief Commercial Officer / Company Secretary
Peter J. Curran	Chief Technology Officer
Wessel van Dijk	VP Europe Sales and Marketing (resigned January 31, 2019)
Christopher R. Southerland	VP US Sales and Marketing (resigned July 7, 2017)

For personal use only

## Remuneration Report (continued)

### B: Principles used to determine the nature and amount of remuneration

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific short term and long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain high quality directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for all employees including Executives, was developed by the Board. All executives receive a base salary and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance, benchmark salary surveys relating to comparable industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- The directors and executives receive a superannuation guarantee contribution required by the government, which for the year ended June 30, 2019 was 9.5% of base salary, and do not receive any other retirement benefits.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. GST is paid in addition to non-executive directors' fees, where applicable. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

The remuneration policy is tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

## Remuneration Report (continued)

## C: Details of remuneration

Details of remuneration of the directors and key management personnel (KMP's) (as defined in AASB 124 *Related Party Disclosures*) of Simavita Limited are set out in the following table.

The table below shows the 2019 and 2018 figures for remuneration received by the Company's directors and executives:

Name and title of Directors	Period	Short term			Long term		Totals \$
		Salary/ fees \$	Other \$	Post-employment superannuation \$	Long service leave \$	Share-based Options \$	
Michael R. Spooner <sup>(1)</sup> <i>Executive Chairman</i>	2019	273,976	-	26,028	-	-	300,004
	2018	137,000	-	13,015	-	-	150,015
Gary W. Pace <i>Non-Executive Director</i>	2019	100,000	-	-	-	-	100,000
	2018	100,000	-	-	-	-	100,000
Damien M. Haakman <i>Non-Executive Director</i>	2019	27,823	-	-	-	-	27,823
	2018	-	-	-	-	-	-
Warren R. Bingham <sup>(2)</sup> <i>Former Non-Executive Director</i>	2019	20,833	-	-	-	-	20,833
	2018	50,000	-	-	-	-	50,000
Sub-totals for Directors	<b>2019</b>	<b>422,632</b>	-	<b>26,028</b>	-	-	<b>448,660</b>
	2018	287,000	-	13,015	-	-	300,015
<b>Name and title of Executives</b>							
Peta C. Jurd <i>Chief Commercial Officer &amp; Company Secretary</i>	2019	296,310	-	28,149	-	21,000	345,459
	2018	285,600	-	27,132	-	27,000	339,732
Peter J. Curran <sup>(3)</sup> <i>Chief Technology Officer</i>	2019	282,446	10,000	27,782	-	21,000	341,228
	2018	272,237	-	25,863	-	-	298,100
Wessel van Dijk <sup>(4)</sup> <i>Former VP Europe Sales and Marketing</i>	2019	194,315	15,941	9,309	-	-	219,565
	2018	273,840	25,502	15,207	-	27,000	341,549
Christopher Southerland <sup>(5)</sup> <i>Former VP. US Sales and Marketing</i>	2019	-	-	-	-	-	-
	2018	1,093	-	-	-	-	1,093
Sub-totals for KMPs	<b>2019</b>	<b>773,071</b>	<b>25,941</b>	<b>65,240</b>	-	<b>42,000</b>	<b>906,252</b>
	2018	832,770	25,502	68,202	-	54,000	980,474
Total remuneration made to Directors and KMPs	<b>2019</b>	<b>1,195,703</b>	<b>25,941</b>	<b>91,268</b>	-	<b>42,000</b>	<b>1,354,912</b>
	2018	1,119,770	25,502	81,217	-	54,000	1,280,489

## Remuneration Report (continued)

<sup>[1]</sup> Michael Spooner became Executive Chairman from Non-Executive Chairman on July 22, 2019

<sup>[2]</sup> Payments made to Mr. Bingham during the years ended June 30, 2019 totalling \$20,833 comprised fees paid to MedTech International Pty Ltd, a company associated with Mr. Bingham (2018: \$50,000), in respect of services provided to the Group by Mr. Bingham as a Director.

<sup>[3]</sup> Payments made to Mr. Curran during the year ended June 30, 2019 totalling \$10,000 (as disclosed under the heading "Other") comprised a performance bonus.

<sup>[4]</sup> Payments made to Mr. van Dijk during the year ended June 30, 2019 totalling \$15,941 (2018: \$25,502) (as disclosed under the heading "Other") comprised a car allowance. All payments made to Mr. van Dijk were made in euros and converted to Australian dollars. Mr. van Dijk subsequently left the Group effective January 31, 2019.

<sup>[5]</sup> All payments to Mr. Southerland were made in American dollars and converted to Australian dollars. Mr. Southerland left the Group effective July 7, 2017.

For personal use only

## Remuneration Report (continued)

## D: Share-based compensation

Options can be issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interest of directors, executives and shareholders.

The table below shows the details of 2019 and 2018 share options for the Company's directors and executives:

Name and title of Directors	Period	Opening Balance	Granted as remuneration	Expired	At the date of resignation	Closing Balance
		Number	Number	Number	Number	Number
Michael R. Spooner <i>Non-Executive Chairman</i>	2019	6,279,922	-	-	-	6,279,922
	2018	6,279,922	-	-	-	6,279,922
Gary W. Pace <i>Non-Executive Director</i>	2019	6,279,922	-	-	-	6,279,922
	2018	6,279,922	-	-	-	6,279,922
Warren R. Bingham <i>Non-Executive Director</i>	2019	250,000	-	-	(250,000)	-
	2018	250,000	-	-	-	250,000
Sub-totals for Directors	2019	12,809,844	-	-	(250,000)	12,559,844
	2018	12,809,844	-	-	-	12,809,844
<b>Name and title of Executives</b>						
Peta C. Jurd <i>Chief Commercial Officer &amp; Company Secretary</i>	2019	2,500,000	1,000,000	-	-	3,500,000
	2018	1,500,000	1,000,000	-	-	2,500,000
Peter J. Curran <i>Chief Technology Officer</i>	2019	4,150,000	1,000,000	(650,000)	-	4,500,000
	2018	4,150,000	-	-	-	4,150,000
Wessel van Dijk <i>Former VP Europe Sales and Marketing</i>	2019	2,500,000	-	-	(2,500,000)	-
	2018	1,500,000	1,000,000	-	-	2,500,000
Sub-totals for KMPs	2019	9,150,000	2,000,000	(650,000)	(2,500,000)	8,000,000
	2018	7,150,000	2,000,000	-	-	9,150,000
Total Directors and KMPs	2019	21,959,844	2,000,000	(650,000)	(2,750,000)	20,559,844
	2018	19,959,844	2,000,000	-	-	21,959,844

## Remuneration Report (continued)

The numbers of options outstanding issued to company's directors and executives including the respective dates of expiry and exercise prices, are tabled below. The options are not listed on the ASX.

Number	Exercise price	Grant date	Expiry date	Fair value per option Black Scholes
6,279,922	\$0.05	July 14, 2016	June 23, 2023	\$0.056
6,279,922	\$0.05	July 14, 2016	June 23, 2023	\$0.056
3,000,000	\$0.06	October 13, 2016	October 13, 2023	\$0.034
2,000,000	\$0.05	June 29, 2017	June 28, 2024	\$0.019
1,000,000	\$0.05	February 15, 2018	January 31, 2025	\$0.027
2,000,000	\$0.035	November 20, 2018	November 19, 2025	\$0.021

## E: Directors and KMP Service Agreements

Director Michael R. Spooner is employed as a Executive Chairman on the following key terms:

- a) Directors fee of A\$350,000 per annum

Director Gary W. Pace is employed as a Non-Executive Director on the following key terms:

- a) Director's fee of A\$100,000 per annum

Director Damien M. Haakman is employed as a Non-Executive Director on the following key terms:

- a) Director's fee of A\$50,000 per annum

Executive Peta C. Jurd is employed as a Chief Commercial Officer and Company Secretary on the following key terms:

- a) Base salary of A\$299,892 per annum plus superannuation
- b) 3-month notice period

Executive Peter J. Curran is employed as a Chief Technology Officer on the following key terms:

- a) Base salary of A\$285,849 per annum plus superannuation
- b) 2-month notice period

## F: Other Transactions

Mr. Michael Spooner, is a director of Simavita Limited, invested \$50,000 in 2019 Convertible Notes. The terms and conditions of the 2019 Convertible Note are detailed in Note 17.

Dr. Gary Pace, is a director of Simavita Limited, invested \$50,000 in 2019 Convertible Notes. The terms and conditions of the 2019 Convertible Note are detailed in Note 17.

*Amounts recognised as liabilities:*

At the end of the reporting period the following aggregate amounts were recognised in relation to the above transactions:

	Jun 30, 2019	Jun 30, 2018
	\$	\$
Current liabilities	100,000	-

## Simavita overview

### Strategic Business Review and Refocus

During the year the Group completed its PIVOT strategy to materially reduce operating costs and to focus upon the delivery of a business model and software platform technology Smartz™ (formerly AlertPLUS™) which the Company believes has market demand and may deliver a strong and profitable business. The Company is now embarking on its Next Steps strategy. Our focus is to bring the Group's leading platform technology to market.

Smartz™ is available for adult and infant markets. It is, we believe, an industry disruptive, platform technology. The technology will be licensed to major manufacturers for sale to distributors, retailers and aged care institutions. It has three components which may be modified to suit product and market requirements.

Components include:

> An integrated electronic sensor which forms part of the diaper materials. The sensor is added to the diaper during manufacture and does not require modification to manufacturing equipment or the manufacturing process, nor does the addition of the sensor impact manufacturing efficiency. Current estimates of the cost of a standard sensor indicate it will be immaterial to the input costs of each diaper. Importantly, the sensor may be adapted to specified diaper types.

> A low cost, multi-use, data capture device which is clipped to the end of each diaper. The ideal low cost specification for this device is Bluetooth. However, it may be modified to utilize WIFI. Furthermore, the device may be adapted to cater for environmental and specific health and safety requirements.

> A multi-OS downloadable APP including Android, Windows and IOS from Apple iTunes developed and modified to suit market requirements. APPs may support multiple languages as well as functionality required by users.

Smartz™ provides objective, timely and cost effective information about the wellness and well being of people wearing the Smartz™ diaper. It delivers meaningful data on key clinical conditions such as pressure sores, falls, hydration, temperature as well as diaper wetness.

The Group can now deliver sensors and a portfolio of APPS that meet a growing demand for change in major markets. The operation of the Smartz™ platform represents a clear unmet market need to provide low cost product to a rapidly growing US\$53bn diaper market for infants and a US\$11bn market for adult incontinence pads. It is our view that this market has failed to materially change in over 25 years prior to our platform development.

Smartz™ complements AssessPLUS™ which is the portable, highly automated solution that is simple to use and an efficient method of assessing incontinence. AssessPLUS™ rapidly generates evidence based care plans for both home use and aged care operators. Over time, the AssessPLUS™ functionality will transition to the Smartz™ platform.

Simavita has been granted patented rights to this core technology.

The Group's continued focus on cost management has resulted in the reduction of operating costs.

The Group's sales strategy is to license our Smartz™ platform technology to major manufacturers whilst continuing to focus on government payers who support the disabled and aged. This shift in strategy has seen the Group largely eliminate those activities associated with direct sales. Going forward the Group will not hold inventory. The future strategy is based upon sustainable, high margin license fees with costs remaining proportionally flat. This shift in strategy has allowed reallocation of resources to focus on partnering our products. As previously foreshadowed, for the current period this has impacted sales receipts. Despite this, the net result has been a reduction in the loss incurred by the Group.

### Simavita overview (continued)

The company is in the process of filing and obtaining CE Mark registration by November 1, 2019. Our immediate objective is to license components of the Smartz™ platform to large corporates. The Group continues very active dialogue with a number of major organisations with specific interest in our platform technology. Key commercialisation activities are underway in major markets. These activities include delivering key product lines in conjunction with manufacturing partners; additional software development for key APPs and continuing strategic field testing with partner organisations.

### Financial results

#### **Statement of loss after tax**

The Group reported a loss after tax for the year ended June 30, 2019 of \$3,934,216 which was \$1,008,079 or 20% less than the loss incurred during the previous year ended June 30, 2018 of \$4,942,295. The reduced loss in the current year is principally attributable to:

> Total operating expenses of \$4,695,637 (excluding share-based expense) had a decrease of \$1,051,218 or 18% compared to \$5,746,855 in the previous corresponding year. In addition, during the year the Company incurred \$56,700 in share-based payments expenses compared to \$84,510 in the previous year. Accordingly, overall total expenses reduced by \$1,079,028 or 19% on a corresponding period basis.

> Total income (including other income) for the reporting period was \$905,090 a decrease of 18% compared to \$1,109,251 in the previous corresponding period. Reductions in overall revenue reflect the elimination of direct sales in favor of its PIVOT strategy of focused sales through partnerships with companies with significant and synergistic sales. Sales have fallen from \$411,344 for the year ending June 30, 2018 to \$184,576 for the year to June 30, 2019.

> Total comprehensive loss for the year was \$3,932,355 a decrease of \$1,014,070 or 21% compared to \$4,946,425 in the previous corresponding year.

#### **Cash and cash equivalents**

The Group's cash and cash equivalents at the end of the year June 30, 2019 decreased by \$672,022 or 49% to \$689,462 as compared to \$1,361,484 at the end of the previous financial year.

### Changes to capital structure

On August 1, 2018 the Group issued 36,045,208 of CDIs on conversion of 2017 Convertible notes and accrued interest at a price of \$0.04 per share.

> On October 9, 2018 the Group issued 68,499,999 of CDIs at a price of \$0.03 per share.

> On November 21, 2018 the Group issued 3,333,331 of CDIs at a price of \$0.03 per share.

> On November 20, 2018 the Group granted 2,800,000 unlisted options at a price of \$0.035 per share to the Group's employees.

> During the year ended June 30, 2019 a total of 7,249,000 unlisted options issued to current and former employees lapsed.

## Liquidity

The Group has incurred losses before tax of \$3,934,216 (FY18: \$4,942,295) for the year ended June 30, 2019 and net cash flows used in operations during the same period of \$3,506,527 (FY18: \$4,080,003). The Group's cash balance as at June 30, 2019 was \$689,462 (FY18: \$1,361,484) whilst its working capital (defined to be current assets less total liabilities) was negative \$2,321,950 (FY18: negative \$1,803,194).

The following events occurred in the recent months and have had a positive bearing on the assessment by Directors as to the ability of the Group to continue as a going concern:

A Convertible Note agreement for \$3,140,000 was approved by the shareholders at the Special General Meeting on June 24, 2019 and is payable in 3 tranches. Payment of \$500,000 for Tranche 1 of these notes was received in April 2019. Tranche 2 payment of \$1,640,000 was received in June and July 2019. The final Tranche 3 payment of \$1,000,000 is due on November 1, 2019 pending management obtaining CE Mark registration together with confirmation of agreements with sufficient magnitude to evidence the market support for Smartz™.

During the financial year 2020, the Group will continue to focus on commercialising Smartz™ to grow revenue by obtaining CE Mark registration and securing relevant agreements. The commercialisation of Smartz™ will primarily occur through the licensing of Smartz™ technology to diaper manufacturers, distributors and retailers.

In addition, the Group will also continue to focus on government payers who support the disabled and aged.

The Group has indicated to the market its strong intention to complete a reorganisation. Details of this reorganisation will be announced in coming months. Fundamental to the reorganisation of the Group will be to raise sufficient capital by January 31, 2020 to fund major revenue opportunities particularly associated with Smartz™ for global Aged, Disabled and Infant markets.

There is uncertainty about the Group's ability to materially grow revenue in a timely manner, raise capital on a timely basis with terms that are acceptable to shareholders and / or complete licensing agreements. The Group's net liabilities at the statement of financial position date were \$2,154,786 (FY18: \$1,765,756). The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the following events occurring:

- > Achieving CE Mark registration of Smartz™, together with confirmation of agreements with sufficient magnitude to evidence market support for Smartz™ by November 1, 2019.
- > Receiving the third tranche of funding to the value of \$1,000,000 from convertible notes approved by the shareholders at the Special General Meeting on June 24, 2019.
- > Delivering revenue or entering into agreements, which reasonably point toward market support for Smartz™ and prospects of short to medium term revenue of a commercial nature.
- > Progressing key commercialisation activities in major markets.
- > Obtaining continued support from third party finance facility related to the Group's R&D tax incentive claim.
- > Continuing cost containment strategies. Subject to the availability of financing, one off commercialization costs in FY 2020 will increase to deliver product enhancements to meet customer demands.
- > The continued support of the Group's shareholders in the provision of ongoing working capital to capture new opportunities as they arise and maintaining sufficient cash reserves to trade into the 2020 Financial Year. This includes successfully raising further capital through the issue of new shares and/or the issue of convertible notes.

Due to the uncertainty surrounding the above matters, there is material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and liabilities in the normal course of business. However, at the date of this report the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

The Group's auditor included an emphasis matter paragraph in the Audit Report for the Financial Statements for year ended June 30, 2019 relating to the Group's ability to continue as a going concern (refer Note 2(a) Going concern).

Currently, there are no significant seasonality factors that influence the Group's business.

## **Insurance of officers and indemnities**

During the financial year, the Group paid a premium of \$82,432 to insure the directors and the officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## **Non-audit services**

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- > all non-audit services have been reviewed by the Audit and Risk committee to ensure they do not impact the impartiality and objectivity of the auditor
- > none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

There has been \$16,000 paid to the auditor for advice relating Research and Development Tax Incentive during the financial year for non-audit services, compared to FY18, when fees totalling \$55,080 were paid to the auditor for services provided in relation to Research and Development Tax Incentive and \$7,322 to PWC Vietnam for assistance with the stocktake in Vietnam.

## **Dividends and distributions**

No dividends have been paid since the end of the previous financial year, nor have the Directors recommended that any dividend be declared or paid in the foreseeable future. Rather, the Group intends to retain any earnings to finance its future growth and development.

Any future payment of cash dividends will be dependent upon, amongst other things, the Group's future earnings, financial condition, capital requirements, and such other factors as the Board of Directors may deem relevant at that time.

## **Significant events after balance sheet date**

Company received balance of Tranche 2 payment amounting to \$750,000 from 2019 Convertible Note investors during July 2019.

## **Rounding of amounts**

The Group is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest dollar in accordance with the instrument.

**Environmental regulations**

The Group is not aware of any breaches of any environmental regulation as at year end June 30, 2019.

**Proceedings on behalf of the Group**

No proceedings have been brought or intervened in or on behalf of the Group with leave to the Court.

**Directors' declaration**

The financial statements were authorized for issue by the Directors on August 30, 2019.

The Directors have the power to amend and reissue the financial statements.



MICHAEL R SPOONER  
Chairman



DAMIEN M HAAKMAN  
Director

For personal use only

### **Corporate governance statement**

The Group and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2019 corporate governance statement is dated as at August 29, 2019 and reflects the corporate governance practices in place throughout the 2019 financial year.

A description of the Group's current corporate governance practice is set out in the Group's corporate governance statement which can be viewed at

[http://www.simavita.com/docs/Corporate\\_Governance\\_Statement\\_August\\_2019.pdf](http://www.simavita.com/docs/Corporate_Governance_Statement_August_2019.pdf)

For personal use only

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

		Consolidated	
	Notes	Jun 30, 2019	Jun 30, 2018
		\$	\$
Revenue	4	184,576	411,344
Cost of sales		<u>(86,969)</u>	<u>(220,181)</u>
Gross profit		<u>97,607</u>	<u>191,163</u>
Other income	5	720,514	697,907
Expenses			
Finance costs		(224,663)	(233,614)
General and administration		(1,870,821)	(2,093,952)
Occupancy costs		(143,219)	(376,677)
Research and development		(1,109,442)	(1,207,680)
Sales, marketing and distribution		(1,347,492)	(1,834,932)
Share-based payments expense		<u>(56,700)</u>	<u>(84,510)</u>
Loss before income tax		<u>(3,934,216)</u>	<u>(4,942,295)</u>
Income tax	8	-	-
Loss for the year		<u>(3,934,216)</u>	<u>(4,942,295)</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit/ (loss)			
Translation of foreign operation		1,861	(4,130)
Total comprehensive loss for the year		<u>(3,932,355)</u>	<u>(4,946,425)</u>
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:			
Basic loss per common share	7	(0.01)	(0.02)
Diluted loss per common share	7	(0.01)	(0.02)
Earnings per share for loss attributable to the ordinary equity holders of the Group:			
Basic loss per common share	7	(0.01)	(0.02)
Diluted loss per common share	7	(0.01)	(0.02)

The accompanying notes form an integral part of these consolidated financial statements

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	Notes	Consolidated	
		Jun 30, 2019	Jun 30, 2018
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	689,462	1,361,484
Trade and other receivables	11	695,934	792,934
Inventories	12	-	207,008
Other assets		140,300	167,875
<b>Total Current Assets</b>		<u>1,525,696</u>	<u>2,529,301</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	13	149,869	8,315
Intangible assets	14	23,113	29,123
<b>Total Non-Current assets</b>		<u>172,982</u>	<u>37,438</u>
<b>Total Assets</b>		<u>1,698,678</u>	<u>2,566,739</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	398,609	576,010
Borrowings	17	3,248,934	3,533,041
Provisions	16	197,343	143,370
<b>Total Current Liabilities</b>		<u>3,844,886</u>	<u>4,252,421</u>
<b>Non-Current Liabilities</b>			
Provisions	16	8,578	80,074
<b>Total Non-Current Liabilities</b>		<u>8,578</u>	<u>80,074</u>
<b>Total Liabilities</b>		<u>3,853,464</u>	<u>4,332,495</u>
<b>Shareholders' Equity</b>			
Share capital	18	69,729,681	66,243,056
Reserves	19	1,502,308	1,811,130
Accumulated losses	20	(73,386,775)	(69,819,942)
<b>Total Shareholders' Equity</b>		<u>(2,154,786)</u>	<u>(1,765,756)</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>1,698,678</u>	<u>2,566,739</u>

The accompanying notes form an integral part of these consolidated financial statements

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Share Capital \$	Reserves \$	Accumulated Losses \$	Totals \$
Balance at July 1, 2017	66,243,056	2,914,723	(66,061,620)	3,096,159
Net Loss for the year	-	-	(4,942,295)	(4,942,295)
Other comprehensive income, net of tax	-	(4,130)	-	(4,130)
Total comprehensive loss for the year	-	(4,130)	(4,942,295)	(4,946,425)
<i>Transactions with owners</i>				
Issue of common shares for cash	-	-	-	-
Movement in Share-based payments reserve	-	84,510	-	84,510
Reversal of lapsed options vested not exercised	-	(1,183,973)	1,183,973	-
Equity transaction costs	-	-	-	-
Cancellation of fractional shares	-	-	-	-
Total transactions with owners	-	(1,099,463)	1,183,973	84,510
Balance at June 30, 2018	66,243,056	1,811,130	(69,819,942)	(1,765,756)
Balance at July 1, 2018	66,243,056	1,811,130	(69,819,942)	(1,765,756)
Net Loss for the year	-	-	(3,934,216)	(3,934,216)
Other comprehensive income, net of tax	-	1,861	-	1,861
Total comprehensive loss for the year	-	1,861	(3,934,216)	(3,932,355)
<i>Transactions with owners</i>				
Issue of common shares for cash	2,155,000	-	-	2,155,000
Issue of common shares from conversion of convertible notes	1,441,808	-	-	1,441,808
Movement in share-based payments reserve	-	56,700	-	56,700
Reversal of lapsed options vested not exercised	-	(367,383)	367,383	-
Equity transaction costs	(110,183)	-	-	(110,183)
Total transactions with owners	3,486,625	(310,683)	367,383	3,543,325
Balance at June 30, 2019	69,729,681	1,502,308	(73,386,775)	(2,154,786)

The accompanying notes form an integral part of these consolidated financial statements

**SIMAVITA LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Consolidated		
	Notes	Jun 30, 2019	Jun 30, 2018
		\$	\$
Cash flows from /(used in) operating activities			
Loss for the year		(3,934,216)	(4,942,295)
Non-cash items			
Depreciation and amortization		18,637	50,670
Share-based payments expenses		56,700	84,510
Unrealized foreign exchange movements		3,972	(10,497)
Accrued interest on borrowings and convertible notes		211,721	172,619
Changes in working capital			
(Increase)/decrease in receivables		97,000	544,495
(Increase)/decrease in inventories		207,008	283,620
(Increase)/decrease in prepayments		27,575	(61,210)
Increase/(decrease) in payables		(177,401)	(160,594)
Increase/(decrease) in provisions		(17,523)	(41,321)
Net cash flows from/(used in ) operating activities		<u>(3,506,527)</u>	<u>(4,080,003)</u>
Cash flows from/(used in) investing activities			
Purchases of plant and equipment		(154,181)	(177)
Purchases of intangible assets		-	(224)
Proceeds from the sale of plant and equipment		-	-
Net cash flows from/(used in ) investing activities		<u>(154,181)</u>	<u>(401)</u>
Cash flows from/(used in) financing activities			
Proceeds from the issue of shares by the Company		2,155,000	-
Proceeds from the borrowings		253,754	1,305,461
Proceeds from the issue of convertible notes		1,390,000	2,750,000
Repayment of the borrowings		(708,871)	(695,039)
Equity transaction costs		(110,183)	-
Net cash flows from/(used in ) financing activities		<u>2,979,700</u>	<u>3,360,422</u>
Net increase/(decrease) in cash and cash equivalents held		(681,008)	(719,982)
Cash and cash equivalents at the beginning of year		1,361,484	2,072,353
Net foreign exchange differences on cash and cash equivalents		8,986	9,113
Cash and cash equivalents at the end of year	10	<u>689,462</u>	<u>1,361,484</u>

The accompanying notes form an integral part of these consolidated financial statements

**SIMAVITA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1 Nature and continuance of operations**

Simavita Limited (the "Group") was incorporated under the laws of the Yukon Territory on May 28, 1968 and continued under the laws of the Province of British Columbia, Canada on December 3, 2013.

Simavita's patented technologies provide sensors for all segments of the USD 64 billion diaper market from extremely low cost alert sensors for everyday use, particularly focused upon the adult and infant markets to the assessment of incontinence needs for the aged and disabled. The alert technology, Smartz™, is addressing the demand for change in the global diaper market.

Simavita operates in Australia, Europe and North America where there is a significant and growing demand for products that deliver real clinical and cost benefits to the health care industry.

**2 Summary of significant accounting policies**

**a Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board. The Group is a for-profit entity for the purpose of preparing the financial statements.

The financial statements comprise the consolidated financial statements of the consolidated entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

*Historical cost convention*

The financial statements have been prepared on a historical cost bases, except for the following:  
> certain financial assets and liabilities (including derivative instruments) - measured at fair value

*New and amended standards adopted by the group*

The group has applied the following standards and amendments for the first time for their annual reporting period commencing July 1, 2018.

> AASB 9 *Financial Instruments*

> AASB 15 *Revenue from Contracts with Customers*

> AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*

> AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

> Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The group also elected to adopt the following amendements early:

> AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*

Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### **Going concern**

The Group has incurred losses before tax of \$3,934,216 (2018: \$4,942,295) for period ended June 30, 2019 and net cash flows used in operations during the same period of \$3,506,527 (2018: \$4,080,003). The Group's cash reserves as at June 30, 2019 were \$689,462 (2018: \$1,361,484). The Group's was in a net current asset deficiency as at June 30, 2019 of \$2,319,190 (2018: net current assets deficiency of \$1,723,120).

The following events occurred in the recent months and have had a positive bearing on the assessment by Directors as to the ability of the Group to continue as a going concern:

A Convertible Note agreement for \$3,140,000 was approved by the shareholders at the Special General Meeting on June 24, 2019 and is payable in 3 tranches. Payment of \$500,000 for Tranche 1 of these notes was received in April 2019. Tranche 2 payment of \$1,640,000 was received in June and July 2019. The final Tranche 3 payment of \$1,000,000 is due on November 1, 2019 pending management obtaining CE Mark registration together with confirmation of agreements with sufficient magnitude to evidence the market support for Smartz™.

During the financial year 2020, the Group will continue to focus on commercialising Smartz™ to grow revenue by obtaining CE Mark registration and securing relevant agreements. The commercialisation of Smartz™ will primarily occur through the licensing of Smartz™ technology to diaper manufacturers, distributors and retailers.

In addition, the Group will also continue to focus on government payers who support the disabled and aged. The Group has indicated to the market its strong intention to complete a reorganisation. Details of this reorganisation will be announced in coming months. Fundamental to the reorganisation of the Group will be to raise sufficient capital by January 31, 2020 to fund major revenue opportunities particularly associated with Smartz™ for global Aged, Disabled and Infant markets.

There is uncertainty about the Group's ability to materially grow revenue in a timely manner, raise capital on a timely basis with terms that are acceptable to shareholders and / or complete licensing agreements. The viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon:

- > Achieving CE Mark registration of Smartz™, together with confirmation of agreements with sufficient magnitude to evidence market support for Smartz™ by November 1, 2019.
- > Receiving the third tranche of funding to the value of \$1,000,000 from convertible notes approved by the shareholders at the Special General Meeting on June 24, 2019.
- > Deliver revenue or enter into agreements, which reasonably point toward market support for Smartz™ and prospects of short to medium term revenue of a commercial nature.
- > Progress key commercialisation activities in major markets.
- > Continuing cost containment strategies.
- > Obtaining continued support from third party finance facility related to the Group's R&D tax incentive claim.
- > Obtaining continued support of the Group's shareholders in the provision of ongoing working capital to capture new opportunities as they arise and maintaining sufficient cash reserves to trade into the 2020 Financial Year. This includes successfully raising additional working capital through the issue of new shares and/or the issue of convertible notes.

Due to the uncertainty surrounding the above matters, there is material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and, therefore, whether it may be unable to realize its assets and liabilities in the normal course of business. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

The Group's auditor included an emphasis of matter paragraph in the June 30, 2019 Audit Report relating to the Group's ability to continue as a going concern.

Currently, there are no significant seasonality factors that influence the Group's business.

**b Basis of consolidation**

These consolidated financial statements include the accounts of the Group and the entities it controlled, being Simavita Holdings Limited, Simavita (Aust.) Pty. Ltd., Simavita US, Inc. and Fred Bergman Healthcare Pty. Ltd. A Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intracompany balances and transactions, including any unrealized income and expenses arising from any intracompany transactions, are eliminated in preparing the consolidated financial statements. The functional and presentation currency of the Group and its subsidiaries is the Australian dollar.

**c Changes in accounting policies**

The following standards and amendments to standards and interpretations are effective for annual periods following July 1, 2018 and have been applied in preparing these consolidated financial statements:

***AASB 15 Revenue from Contracts with Customers***

It provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has examined the following areas of AASB 15:

- (i) Accounting for refunds - Customers have right to return the product within a given time period and the Company is obliged to refund the purchase price. Under AASB 15, a refund liability for the expected refunds to customers is recognised as adjustment to revenue in trade and other payables. Prior to introduction of the AASB 15, the Company did not make any specific provisions against possible refunds but recognized the refunds as adjustment to the revenue. No changes to the accounting treatment have been necessary as result of adoption of AASB 15.
- (ii) Software subscription revenue - The company provides customers with access to the cloud server to perform incontinence assessments. The revenue is recognized in the accounting period covered by the software licence and this treatment is consistent with AASB 15 resulting in no changes to the revenue recognition policy.
- (iii) Financing components - The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

In conclusion, management has established that there has been no material impact of the adoption of AASB 15 on the Group's financial statements and prior period comparison figures have not been restated.

***AASB 9 Financial Instruments***

This standard is intended to replace AASB 39 Financial Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in AASB 39. For financial liabilities designated at fair value through profit or loss, a Group can recognize the portion of the change in fair value related to the change in the Group's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in AASB 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018. Management has established that the company's prior treatment of financial assets and financial liabilities, in particular the convertible notes have been performed in accordance with AASB 9 and there has been no material impact of the adoption of AASB 9 on the Group's financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

**AASB 16 Leases**

AASB 16 Leases will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and financial liability to pay rentals for almost all of the lease contracts. The accounting by lessors, however, will not significantly change. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of \$126,533. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. The new standard will result in extended disclosures in the financial statements. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Group does not intend to adopt the standard before its effective date.

**d Revenue**

Revenue is recognised at a point in time, or over time, based on the principles of AASB 15. Management has used sufficient and appropriate tools as guided by the standard, enabling the Group to reach consistent conclusions in recognising revenue. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

**Sale of goods**

Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- > The Group has transferred to the buyer the controls of ownership of the goods;
- > The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- > The amount of revenue can be measured reliably;
- > It is probable that the economic benefits associated with the transaction will flow to the Group; and
- > The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- > Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold.

**Interest revenue**

- > Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**e Share-based payments**

The Group provides benefits to employees and others in the form of share-based payment transactions, whereby officers and employees render services and receive rights over shares (“equity-settled transactions”). The cost of these transactions is measured by reference to the fair value at the date they are granted. The fair value of options granted is determined using a Black-Scholes option pricing model.

In valuing equity-settled transactions, no account is taken of any non-market performance conditions. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the relevant vesting conditions are fulfilled, ending on the date that the relevant employees become fully entitled to the award (“vesting date”).

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the most current information available at balance date.

No expense is recognized for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per

The Group’s policy is to treat the share options of terminated employees as forfeitures, after 90 days in accordance with the terms of the Group Stock Option Plan.

**f Income tax**

*Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or taxable loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognized as a liability (or asset) to the extent that it is unpaid (or refundable). The tax rate adopted in the calculation of all tax balances is the tax rate applicable in Australia as that is deemed to be the most meaningful rate based on the nature of the Group’s activities.

*Deferred tax*

Deferred tax is accounted for in respect of temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized.

However, deferred tax assets and liabilities are not recognized if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognized in relation to taxable temporary differences arising from the initial recognition of

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realized or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax is recognized as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognized directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

*Tax consolidation*

Simavita Holdings Limited (the "Head Entity") and its wholly owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. As at June 30, 2019 the Group had not yet generated a profit from the commercialization of its intellectual property. Accordingly, no deferred tax assets arising from carried forward losses and temporary differences have yet been recognized.

**g Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollar (\$), which is the Group's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investments hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

**h Segment reporting**

*Identification of reportable segments*

The Group has identified one reportable business segment based on the similarity of the products manufactured and sold and/or the services provided, being the sale of products and services associated with the assessment and management of urinary incontinence and related conditions, as this represents the source of the Group's major risk and has the greatest effect on the rates of return.

The Group has identified two reportable geographic segments, being Australia and Rest of the World, based on the jurisdiction where the sales and marketing associated with such products occurs.

The segments are reported in a manner that is consistent with the internal reporting provided to the Board.

**i Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the Group's immediate cash requirements, and earn interest at the respective short-term deposit rates.

**j Trade and other receivables**

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. Such evidence includes an assessment of the debtor's ability and willingness to pay the amount due. The amount of the allowance/ impairment loss is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

**k Inventories**

Inventories principally comprise finished goods and raw materials and are valued at the lower of cost and net realizable value. Inventory costs are recognized as the purchase price of items from suppliers plus freight inwards and any applicable landing charges. Costs are assigned on the basis of weighted average cost. The Group has a policy of regularly reviewing the value of inventory on hand. At the end of the year, the Group has provided the full amount of \$520,698 the inventory to cover the cost of inventory which could be

**l Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line value basis over the estimated useful life of the respective asset as follows:

Office equipment – 2.5 years

Equipment under lease – 3 years

Testing equipment – 3.33 years

Furniture and fittings – 5 years

Costs relating to day-to-day servicing of any item of property, plant and equipment are recognized in profit or loss as incurred. The cost of replacing larger parts of some items of property, plant and equipment are capitalized when incurred and depreciated over the period until their next scheduled replacement, with the replacement parts being subsequently written off.

For personal use only

**m Intangible assets**

*Patents*

Patents held by the Group, which are used in the manufacture of its incontinence system and electronic device components, are carried at cost and amortized on a straight-line basis over their useful lives, being from 5 to 10 years. External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

*Research and development costs*

Costs relating to research and development activities are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured.

**n Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to operations are recognized in those expense categories consistent with the function of the impaired asset unless the asset is carried at its revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless it reverses a decrement previously charged to equity, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**o Trade and other payables**

Trade payables and other payables are carried at amortized cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables generally have terms of between 30 and 60 days.

**p Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expenses for non-accumulating sick leave are recognized when the leave is taken during the year and are measured at rates paid or payable.

In determining the present value of future cash outflows, the market yield as at the reporting date on corporate bond rates, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits are recognized against profits in their respective categories.

**q Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**r Contributed equity**

Issued and paid up capital is recognized at the fair value of the consideration received by the Group. Transaction costs arising on the issue of common shares are recognized directly in equity as a deduction, net of tax, of the proceeds received.

For personal use only

### 3 Critical accounting estimates and judgements

Estimates and judgements are evaluated and based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

#### 3a Critical accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of certain assets and liabilities within the next annual reporting period are set out below.

##### *Share-based payments transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using a Black-Scholes options pricing model.

#### 3b Critical judgments in applying the Group's accounting policies

##### *Research and development costs*

An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured. The costs of research and development are expensed in full in the period in which they are incurred. The Group will only capitalize its development expenses when specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

For personal use only

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>4 Revenue from continuing operations</b>		
Sales revenue:		
- Sale of goods	43,177	208,392
- Services	141,399	202,952
<b>Total revenue</b>	<u>184,576</u>	<u>411,344</u>
<b>5 Other income</b>		
- Interest revenue	4,392	5,375
- Sale of mining rights	51,172	51,212
- R&D tax incentive	664,950	641,320
<b>Total other income</b>	<u>720,514</u>	<u>697,907</u>
<b>6 Expenses</b>		
Amortization of intangible assets	6,010	14,025
Depreciation of fixed assets	12,627	36,645
Total depreciation and amortization	<u>18,637</u>	<u>50,670</u>
Employee expenses	2,139,182	3,056,328
Employee benefit expenses	153,857	179,754
R&D expenses (excluding employee benefits)	360,898	322,714
Finance costs	224,663	233,614

Note: Employee expenses represent all salaries, bonuses, redundancies and associated on-costs attributable to employees of the Group, which have been allocated across their respective functions in the statement of comprehensive loss.

#### 7 Loss per share

Loss for the year attributable to the owners of Simavita Limited	(3,934,216)	(4,942,295)
Weighted average number of shares used to calculate loss per share	394,554,078	309,899,594

Note: None of the 22,444,844 (2018: 26,893,844) options over the Group's ordinary shares that were outstanding as at the reporting date are considered to be dilutive for the purposes of calculating diluted earnings per share.

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	Cents	Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	<u>(0.01)</u>	<u>(0.02)</u>
Total basic losses per share attributable to the ordinary equity holders of the Group	<u>(0.01)</u>	<u>(0.02)</u>
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	<u>(0.01)</u>	<u>(0.02)</u>
Total diluted losses per share attributable to the ordinary equity holders of the Group	<u>(0.01)</u>	<u>(0.02)</u>

8 Income Tax	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>Reconciliation of income tax expense to prima facie tax expense</b>		
Loss before income tax expense	(3,934,216)	(4,942,295)
Tax at the Australian tax rate of 27.5%	(1,081,909)	(1,359,131)
<i>Tax effect of adjustments relating to non-temporary differences</i>		
Research and development income	(182,861)	(176,363)
Research and development expenses	420,371	462,325
Share-based payments expense	15,593	23,240
Other	131,979	202,430
<i>Tax effect of adjustments relating to temporary differences</i>		
Deductible equity transaction costs	(50,888)	(243,603)
Net movements in provisions and payables	(15,923)	35,902
Unrealized foreign exchange gain	(2,801)	(4,009)
	<u>(766,439)</u>	<u>(1,059,209)</u>
Tax rate differential due to other tax jurisdictions	(10,371)	(24,833)
<b>Tax losses not recognized</b>	<b><u>(776,811)</u></b>	<b><u>(1,084,042)</u></b>
<b>Deferred tax assets / (liabilities)</b>		
Equity transaction costs	99,900	128,136
Provisions and payables	209,243	216,485
Accrued expenses	6,174	8,732
Patents	150,466	143,951
Deferred income	-	5,156
Other	85	(3,063)
	<u>465,868</u>	<u>499,397</u>
Deferred tax assets on temporary differences not brought to account	(465,868)	(499,397)
<b>Total net deferred tax assets</b>	<b><u>-</u></b>	<b><u>-</u></b>

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>8 Income Tax (continued)</b>		
<b>Tax losses (tax effected)</b>		
Australia	12,897,483	12,623,318
Canada	1,349,747	708,894
United States of America	1,204,998	1,069,773
Total deferred tax assets on tax losses not recognized	<u>15,452,228</u>	<u>14,401,985</u>

Subject to the Group continuing to meet the relevant statutory tests, tax losses are available for offset against future taxable income. As at balance date, there are unrecognized tax losses with a benefit of approximately \$15,452,228 (2018: \$14,401,985) that have not been recognized as a deferred tax asset to the Group. These unrecognized deferred tax assets will only be obtained if:

- (a) The Group companies derive future assessable income of a nature and amount sufficient to enable the benefits to be realized;
- (b) The Group companies continue to comply with the conditions for deductibility imposed by the law; and
- (c) No changes in tax legislation adversely affect the Group companies from realizing the benefit.

#### **Tax consolidation legislation**

Simavita Holdings Limited (the "Head Entity") and its wholly owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. As at June 30, 2019, the Group had not yet generated a profit from the commercialization of its intellectual property. Accordingly, no deferred tax assets arising from carried forward losses and temporary differences have yet been recognized.

#### **9 Dividends and distributions**

No dividends have been paid since the end of the previous financial year, nor have the Directors recommended that any dividend be declared or paid in the foreseeable future. Rather, the Group intends to retain any earnings to finance its future growth and development.

Any future payment of cash dividends will be dependent upon, amongst other things, the Group's future earnings, financial condition, capital requirements, and such other factors as the Board of Directors may deem relevant at that time.

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>10 Cash and cash equivalents</b>		
Cash at bank and on-hand	689,462	1,361,484
Total cash and cash equivalents	<u>689,462</u>	<u>1,361,484</u>

	<b>Consolidated</b>	
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
	\$	\$
<b>11 Trade and other receivables</b>		
Trade receivables	950	37,841
Less Provision for doubtful debts	-	(2,905)
GST receivable	30,034	26,683
R&D tax concession receivable	664,950	731,315
Total trade and other receivables	<u>695,934</u>	<u>792,934</u>
Note: All trade and other receivables for the Group include amounts in:		
- Australian dollars of AUD \$700,575 (June 2018: \$759,252)		
- United States dollars, equivalent to AUD (\$4,641) (June 2018: (\$3,253))		
- European euros, equivalent to AUD \$NIL (June 2018: \$36,314)		
- British pounds, equivalent to AUD \$NIL (June 2018: \$621)		
<b>12 Inventories</b>		
Finished goods and raw materials	520,698	588,909
Less Provision for obsolescence	(520,698)	(381,901)
Total inventories	<u>-</u>	<u>207,008</u>
Note: In line with the Company's strategy which outlines its focus on its new generation product Smartz™, the Company has decided to provide for the full carrying cost of its legacy product AssessPLUS™ and SIM™.		
<b>13 Property, plant and equipment</b>		
Office equipment at cost	338,306	333,945
Less: accumulated depreciation	(333,844)	(332,033)
Net office equipment	<u>4,462</u>	<u>1,912</u>
Furniture and fittings at cost	84,679	84,679
Less: accumulated depreciation	(84,165)	(82,436)
Net furniture and fittings	<u>514</u>	<u>2,243</u>
Leasehold Improvements	80,117	80,117
Less: accumulated depreciation	(80,050)	(76,369)
Net leasehold improvements	<u>67</u>	<u>3,748</u>
Testing Equipment	197,037	47,217
Less: accumulated depreciation	(52,211)	(47,217)
Net testing equipment	<u>144,826</u>	<u>-</u>
Rental Assets at cost	59,737	59,737
Less: accumulated depreciation	(59,737)	(59,325)
Net rental assets	<u>-</u>	<u>412</u>
<b>Total property, plant &amp; equipment</b>	<u><u>149,869</u></u>	<u><u>8,315</u></u>

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>14 Intangible assets</b>		
Patents at cost	63,714	63,714
Less: accumulated amortisation	(40,696)	(37,510)
Net patents	<u>23,018</u>	<u>26,204</u>
Software at cost	138,253	138,253
Less: accumulated amortisation	(138,158)	(135,334)
Net software	<u>95</u>	<u>2,919</u>
<b>Total intangible assets</b>	<b><u>23,113</u></b>	<b><u>29,123</u></b>
<b>15 Trade and other payables</b>		
Trade payables	107,016	126,420
Accrued expenses	152,939	350,487
Payroll-related payables	73,051	77,328
Other payables	65,603	21,775
<b>Total trade and other payables</b>	<b><u>398,609</u></b>	<b><u>576,010</u></b>

Note: All trade and other payables for the Group include amounts in:

- Australian dollars of AUD \$392,975 (June 2018: \$511,296)
- United States dollars, equivalent to AUD \$NIL (June 2018: \$31,437)
- Canadian dollars, equivalent to AUD \$2,607 (June 2018: \$NIL)
- European euros, equivalent to AUD \$3,027 (June 2018: \$33,277)

The break-down of the above foreign exchange amounts have been converted to Australian dollars.

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>16 Provisions</b>		
<b>Current Provisions</b>		
Annual leave	123,564	143,370
Long service leave	73,779	-
<b>Total current provisions</b>	<b>197,343</b>	<b>143,370</b>
Reconciliation of annual leave provision		
Balance at the beginning of the year	143,370	184,787
Add: obligation accrued the year	137,920	143,863
Less: balance utilized during the year	(157,726)	(185,280)
<b>Balance at the end of the year</b>	<b>123,564</b>	<b>143,370</b>
<b>Non-Current Provisions</b>		
Long service leave	8,578	80,074
<b>Total non-current provisions</b>	<b>8,578</b>	<b>80,074</b>
Reconciliation of long service leave provision		
Balance at the beginning of the year	80,074	79,978
Add: obligation accrued the year	27,037	96
Less: balance utilized during the year	(24,754)	-
<b>Balance at the end of the year</b>	<b>82,357</b>	<b>80,074</b>
<b>17 Borrowings</b>		
Third party loan - R&D tax incentive advance	285,882	678,767
Convertible notes issue - 2017	-	1,430,712
Convertible notes issue - 2018	17 (a) 1,563,562	1,423,562
Convertible notes issue - 2019	17 (b) 1,399,490	-
<b>Total borrowings</b>	<b>3,248,934</b>	<b>3,533,041</b>

(a) In April 2018, the company entered into unsecured note deed pursuant to which it has issued unsecured notes for an aggregate principal amount of AUD\$1,400,000.

At the company's Special General Meeting on April 13, 2018, the Company obtained shareholder approval to convert the Debt Notes into CDIs (a form of 'equity security' for the purposes of the ASX Listing Rules). The conditions of the resultant AUD\$1,400,000 Convertible Notes are prescribed by the Convertible Note Terms contained in the unsecured debt notes entered into between the Company and each Noteholder on identical terms.

## Borrowings (continued)

There has been no prior formal valuation of the securities issued in the Financing as there has not been any necessity to do so. The Financing has been reviewed and unanimously approved by the independent members of the Board of Directors.

The company has accrued \$163,562 interest payable on Convertible Notes as at June 30, 2019.

The key terms from the 2018 Convertible Note Deed are summarised as follows:

Term	Description
Use of Funds:	Company's working capital purposes.
Interest:	Coupon rate of 10% per annum, with all interest payable upon the Maturity Date.
Maturity Date:	March 31, 2019, at which time the Noteholder can elect the Notes be redeemed or convert into CDIs following shareholder approval which was obtained at the Special General Meeting on April 13, 2018. The principal amount plus accrued interest is repayable earlier on the occurrence of an event of default.
Security and priority:	The Notes are unsecured. The money owing to each Noteholder by the Company shall rank pari passu and pro rata between each Noteholder without any preference or priority between them.
Requisite Approvals	All Requisite Approvals have been obtained under the applicable laws and regulations and the Convertible Notes are now convertible into CDIs upon Conversion.
Convertible Notes	As all Requisite Approvals have been obtained, the Convertible Notes will be either redeemed for cash or converted into CDIs on the earlier of the next capital raising or March 31, 2019.
Conversion	The Convertible Notes automatically convert into CDIs (shareholder approval having been obtained) into that number of CDIs calculated by dividing the sum of the principal amount paid under the Convertible Notes plus accrued interest; by the Conversion Price (i) \$0.04 per CDI; (ii) where prior to the Maturity Date the Company undertakes the Next Capital Raise, the price per CDI at which the Next Capital Raise has been completed and (iii) the 10 Day VWAP for the period immediately preceding the Maturity Date.
Repayment	Repayment is due on earlier of: <ul style="list-style-type: none"> <li>• Maturity Date (March 31, 2019); or</li> <li>• the occurrence of an Event of Default</li> </ul> If repayment is due to the occurrence of an Event of Default the Company must redeem the relevant Notes the subject of a Default Redemption Notice by paying the Principal
Events of default:	The Convertible Note Deed also includes customary events of default including – <ul style="list-style-type: none"> <li>· the Company breaches a material term of the Deed;</li> <li>· any warranty is materially misleading or untrue;</li> <li>· occurrence of an insolvency event;</li> <li>· failure to obtain a Requisite Approval (including shareholder approval) within the time periods- no longer applicable;</li> <li>· Court judgement in excess of \$100,000 is obtained against the Company</li> </ul>

On February 22, 2019 the Company entered into Deed of Amendment with the 2018 Noteholders to extend the Maturity Date of notes to March 31, 2020. The Noteholders option to convert at the price per CDI at which the Next Capital Raise has been completed has been extended to within 7 days prior to the convening of a special general meeting of CDI holders to seek security holder approval to a reorganisation.

## Borrowings (continued)

The mandatory conversion provision is now operational when the company completes a Next Financing Event defined as a financing of the company of at least \$7.5 million undertaken after February 21, 2019 and before Maturity Date. The Conversion Price is the lower of the Conversion Price as originally defined or the price at which funds were raised under that Next Financing Event.

(b) In June 2019, the company entered into secured note deed pursuant to which it has issued unsecured notes for an aggregate principal amount of AUD\$3,140,000.

At the company's Special General Meeting on June 24, 2019, the Company obtained shareholder approval to convert up to \$3,500,000 the Debt Notes into CDIs (a form of 'equity security' for the purposes of the ASX Listing Rules). The conditions of the resultant AUD\$3,500,000 Convertible Notes are prescribed by the Convertible Note Terms contained in the secured debt notes entered into between the Company and each

There has been no prior formal valuation of the securities issued in the Financing as there has not been any necessity to do so. The Financing has been reviewed and unanimously approval by the independent members

The company has accrued \$23,562 interest payable on Convertible Notes as at June 30, 2019.

The key terms from the 2019 Convertible Note Deed are summarised as follows:

Term	Description
Use of Funds:	To focus on the Corporation's business model by continuing to bring its software platform technology AlertPLUS™ to market and for other working capital purposes.
Interest:	Coupon rate of 10% per annum, with all interest payable upon the earlier of conversion, redemption or the Maturity Date.
Subscription Tranches:	Funds are to be advanced in 3 tranches as follows:
	(a) an initial tranche of \$500,000 upon signing the Note Deeds ( <b>First Tranche</b> ) as consideration for 500,000 Debt Notes (already subscribed),
	(b) a further tranche of a minimum of \$1,575,000 ( <b>Second Tranche</b> ) in return for 1,575,000 Convertible Notes, and
	(c) a further tranche of up to \$1,000,000 ( <b>Third Tranche</b> ) at AU\$1.00 per Convertible Notes as consideration for the issue of up to 1,000,000 Convertible Notes.
Maturity Date:	April 30, 2022
Security and priority:	The Convertible Notes will be secured convertible notes. A general securities deed poll granting security over the entire Corporation's assets and undertakings in Australia will be executed by the Corporation in favour of each 2019 Noteholder. The security shall cease as the Convertible Notes are converted or redeemed. The secured money owing to each Noteholder by the Corporation shall rank pari passu and pro rata between each 2019 Noteholder without any preference or priority between them. The Note Deed includes general terms governing Noteholders conducting Noteholder meetings and a process for actions that may be taken by the
Requisite Approvals	All Requisite Approvals have been obtained under the applicable laws and regulations and the Convertible Notes are now convertible into CDIs upon Conversion.
Repayment	Repayment is due on earlier of: <ul style="list-style-type: none"> <li>• Maturity Date (if required by the Noteholder and not already Converted); or</li> <li>• the occurrence of an Event of Default.</li> </ul> If repayment is due to the occurrence of an Event of Default the Corporation must redeem the relevant Notes by paying the Principal outstanding plus Accrued Interest (including interest at the annual rate of 12% as from the date of service of the default redemption notice).

## Borrowings (continued)

Term	Description
Events of default:	<p>The Convertible Note Deed also includes customary events of default including</p> <ul style="list-style-type: none"> <li>· the Company breaches a material term of the Deed;</li> <li>· any warranty is materially misleading or untrue;</li> <li>· occurrence of an insolvency event;</li> <li>· Court judgement in excess of \$100,000 is obtained against the Company</li> </ul>
Covenants	The Corporation provides each Noteholder with usual commercial covenants for a transaction such as this Financing
Conversion	<p>The Convertible Notes may be converted by the Noteholder at any time, and will automatically convert into CDIs upon a Qualifying Finance Event or a Takeover of the Corporation, where a Qualifying Financing Event means an equity capital raise of at least A\$7.5 million, or such other amount as agreed, based on a minimum pre-money valuation of the Company of at least A\$20 million, with a target of pre-money valuation of A\$25 million.</p> <p>The number of CDIs to issue upon Conversion is calculated by dividing the sum of the principal amount paid under the Convertible Notes plus accrued interest; by the Conversion Price. The Conversion Price shall be determined as follows:</p> <p>(a) upon a "Qualifying Financing Event", the Conversion Price is equal to a 65% discount to the price per CDI at which the Qualifying Financing Event occurred with a cap based on a fully diluted (excluding all options under the Simavita Limited Stock Option Plan) pre-money value of \$25m (in which case the conversion price will be the lower of the 65% discount and the pre-money cap of \$25m). This price is to be calculated at a share price before taking into account the Qualifying Capital raise; or</p> <p>(b) where a Noteholder elects to Convert on or prior to June 30, 2020, the Conversion Price is equal to a 65% discount to the price per CDI calculated by dividing \$20 million by the number of CDIs on issue at the date of Conversion, or</p> <p>(c) where a Noteholder elects to Convert after June 30, 2020, the Conversion Price is equal to a price per CDI calculated by dividing \$3 million by the number of CDIs on issue at the date of Conversion; or</p> <p>(d) upon the "Maturity Date": the Conversion Price is equal to a price per CDI calculated by dividing \$3 million by the number of CDIs on issue at the date of Conversion.</p> <p>Where the CDIs are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities under circumstances not otherwise contemplated by the Note Terms or the Note Deed, the Conversion Price and / or Conversion Number shall be adjusted by the Company as it reasonably considers appropriate, having first obtained independent confirmation of the adjustment.</p>

Management has disclosed that a Qualifying Financing Event is anticipated to occur within 12 months after the financial year end date. The Qualifying Financing Event will trigger mandatory conversion of the convertible notes which will automatically settle both the financial liability embedded derivative and debt host within 12 months. On that basis, the convertible notes are classified as a current financial liability as at June 30, 2019.

**18 Share capital**

	Number of Shares	Amount
<b>Summary of common shares issued and outstanding</b>		
Balance at July 1, 2017	309,899,594	66,243,056
Issue of common shares for cash	-	-
Equity transaction costs	-	-
<b>Balance at June 30, 2018</b>	<b>309,899,594</b>	<b>66,243,056</b>
<b>Balance at July 1, 2018</b>	<b>309,899,594</b>	<b>66,243,056</b>
Issue of common shares for cash	71,833,330	2,155,000
Issue of common shares from conversion of convertible notes	36,045,208	1,441,808
Equity transaction costs	-	(110,183)
<b>Balance at June 30, 2019</b>	<b>417,778,132</b>	<b>69,729,681</b>

As of the date of these financial statements, there was a total of 417,778,132 common shares in the Group on issue, of which all of them were held as CDIs.

**Summary of options outstanding**

As at June 30, 2019, a total of 22,444,844 options over common shares in the Group were outstanding. The numbers of options outstanding including the respective dates of expiry and exercise prices, are tabled below. The options are not listed on the ASX.

Number	Exercise price	Grant date	Expiry date	Fair value per option Black Scholes
6,279,922	\$0.050	July 14, 2016	June 23, 2023	\$0.056
6,279,922	\$0.050	July 14, 2016	June 23, 2023	\$0.056
3,000,000	\$0.060	October 13, 2016	October 13, 2023	\$0.034
460,000	\$0.120	October 13, 2016	October 13, 2023	\$0.027
2,000,000	\$0.050	June 29, 2017	June 28, 2024	\$0.019
1,675,000	\$0.050	February 15, 2018	January 31, 2025	\$0.027
50,000	\$0.050	June 5, 2018	June 4, 2025	\$0.027
2,700,000	\$0.035	November 20, 2018	November 19, 2025	\$0.021

**Consolidated**

	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>19 Reserves</b>		
Share-based payments reserve	959,046	1,269,729
Share capital reserve	499,445	499,445
Foreign currency reserve	43,817	41,956
Total reserves	<b>1,502,308</b>	<b>1,811,130</b>

**20 Accumulated Losses**

Balance at the beginning of the year	(69,819,942)	(66,061,620)
Reversal of lapsed options vested not exercised	367,383	1,183,973
Add: net loss attributable to owners of Simavita Limited	(3,934,216)	(4,942,295)
Balance at the end of the year	<b>(73,386,775)</b>	<b>(69,819,942)</b>

**21 Related party transactions****(a) Parent entities**

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			2019	2018
Simavita Limited *	Ultimate parent entity and controlling party	Canada	100%	100%
Simavita Holdings Limited	Immediate and ultimate Australian parent entity	Australia	100%	100%

\* Simavita Limited holds 100% of the issued ordinary shares of Simavita Holdings Limited.

**(b) Subsidiaries**

Interests in subsidiaries are set out below:

Name of Group company	Incorporation details	Group interest %	
		2019	2018
Simavita Limited	May 28, 1968; Yukon, Canada (continued into British Columbia, Canada on December 3, 2013)	N/A	N/A
Simavita Holdings Limited	October 11, 1995; Victoria, Australia	100%	100%
Simavita (Aust) Pty Ltd	January 15, 2009; NSW, Australia	100%	100%
Simavita US Inc.	August 11, 2012; Delaware, USA	100%	100%
Fred Bergman Healthcare Pty Ltd	January 28, 1971; Victoria, Australia	100%	100%

	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>(c) Key management personnel compensation</b>		
Short-term employee benefits	1,221,644	1,145,272
Post-employment benefits	91,268	81,217
Termination benefits	-	-
Share-based payments	42,000	54,000
	<u>1,354,912</u>	<u>1,280,489</u>

The compensation of each member of the key management personnel of the company is set out in the Remuneration report, included in the Directors' Report.

**(d) Transactions with other related parties**

Subscription for Convertible notes totalling \$100,000 by company directors for 2019 Convertible Note issue described in the Note 17(b), in the same terms as other noteholders.

**22 Segment information****Identification of reportable segments**

The Group has identified one reportable business segment based on the similarity of the products manufactured and sold and/or the services provided, being the sale of products and services associated with the assessment and management of urinary incontinence, as this represents the source of the Group's major risk and has the greatest effect on the rates of return.

The Group has identified two reportable geographic segments, being Australia and Rest of the World (Europe and North America), based on the jurisdiction where the sales and marketing associated with such products occurs.

The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker consists of the Board and key management personnel.

	Australia \$	ROW \$	Other \$	Total \$
<b>FY 2019</b>				
Revenue				
Sales of goods	380	42,797	-	43,177
Services	141,399	-	-	141,399
Total revenue	141,779	42,797	-	184,576
Cost of sales	(36,663)	(50,306)	-	(86,969)
Gross Profit	105,116	(7,509)	-	97,607
Other income	-	-	720,514	720,514
Operating expenses	(400,242)	(538,368)	(3,570,427)	(4,509,037)
EBITDA	(295,126)	(545,877)	(2,849,913)	(3,690,916)
Depreciation and amortization	-	-	(18,637)	(18,637)
Finance costs	-	-	(224,663)	(224,663)
Loss before income tax expense	(295,126)	(545,877)	(3,093,213)	(3,934,216)
<b>FY 2018</b>				
Revenue				
Sales of goods	22,599	185,793	-	208,392
Services	202,952	-	-	202,952
Total revenue	225,551	185,793	-	411,344
Cost of sales	(39,483)	(180,698)	-	(220,181)
Gross Profit	186,068	5,095	-	191,163
Other income	-	-	697,907	697,907
Operating expenses	(300,341)	(1,088,939)	(4,157,801)	(5,547,081)
EBITDA	(114,273)	(1,083,844)	(3,459,894)	(4,658,011)
Depreciation and amortization	-	-	(50,670)	(50,670)
Finance costs	-	-	(233,614)	(233,614)
Loss before income tax expense	(114,273)	(1,083,844)	(3,744,178)	(4,942,295)
<b>Total segment assets</b>				
Jun 30, 2019	-	9,904	1,688,774	1,698,678
Jun 30, 2018	-	43,927	2,522,812	2,566,739
<b>Total segment liabilities</b>				
Jun 30, 2019	-	26,496	3,826,968	3,853,464
Jun 30, 2018	-	78,169	4,254,326	4,332,495

**23 Commitments and contingencies**

	<b>Consolidated</b>	
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
<b>Operating lease expenditure commitments</b>	\$	\$
- not later than one year	78,698	75,148
- later than one year but no later than five years	41,307	-
- later than five years	-	-
<b>Total minimum operating lease payments</b>	<u>120,005</u>	<u>75,148</u>

On June 1, 2019 the Group entered into operating lease relating to the following premises:

Location	Landlord	Use	Date of lease expiry	Minimum payments
Suite 2.02, Level 2, 54 Miller St North Sydney	VIA III Miller Property T Pty Ltd	Office	December 31, 2020	120,005

**24 Auditor's remuneration**

Name of Auditor	Year	Audit services	Assurance services	Other services	Totals
		\$	\$	\$	\$
PricewaterhouseCoopers	2019	125,000	-	16,000	141,000
	2018	100,000	-	62,402	162,402

**25 Deed of Cross-Guarantee**

The subsidiaries listed below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Under ASIC Corporations (wholly-owned Companies) Instrument 206/785 there is no requirement for these subsidiaries to prepare or lodge a financial report and Director's report.

The following companies are subject to the deed and represent a closed group for the purposes of the class order:

- > Simavita Holdings Limited
- > Simavita (Aust) Pty Ltd

The deed of cross guarantee was executed on May 23, 2017 and reconfirmed on August 29, 2019.

## Deed of Cross-Guarantee (continued)

The consolidated statement of comprehensive income and consolidated balance sheet, comprising the closed group, after eliminating all transactions between parties to the deed of cross guarantee are shown below:

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>Consolidated Statement of Comprehensive Loss</b>		
Revenue	184,576	411,344
Cost of sales	<u>(86,794)</u>	<u>(213,298)</u>
Gross profit	<u>97,782</u>	<u>198,046</u>
Other income	669,342	646,695
Operating expenses	<u>(3,867,847)</u>	<u>(4,600,964)</u>
Loss before income tax	<u>(3,100,723)</u>	<u>(3,756,223)</u>
Income tax	-	-
Loss after income tax	<u>(3,100,723)</u>	<u>(3,756,223)</u>
Other comprehensive income		
Items that may be subsequently reclassified to profit/ (loss)		
Translation of foreign operation	-	-
Total comprehensive loss for the year	<u><u>(3,100,723)</u></u>	<u><u>(3,756,223)</u></u>

## Deed of Cross-Guarantee (continued)

	Consolidated	
	Jun 30, 2019	Jun 30, 2018
	\$	\$
<b>Consolidated Statement of Financial Position</b>		
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	679,239	1,262,288
Trade and other receivables	697,095	794,669
Inventories	-	207,008
Other assets	105,909	141,323
Total Current Assets	<u>1,482,243</u>	<u>2,405,288</u>
Non-Current Assets		
Property, plant and equipment	149,869	8,234
Intangible assets	95	2,919
Other receivables	975	975
Total Non-Current assets	<u>150,939</u>	<u>12,128</u>
Total Assets	<u><u>1,633,182</u></u>	<u><u>2,417,416</u></u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Current Liabilities		
Trade and other payables	38,458,838	36,147,412
Provisions	197,343	120,784
Total Current Liabilities	<u>38,656,181</u>	<u>36,268,196</u>
Non-Current Liabilities		
Provisions	8,578	80,074
Total Non-Current Liabilities	<u>8,578</u>	<u>80,074</u>
Total Liabilities	<u><u>38,664,759</u></u>	<u><u>36,348,270</u></u>
Shareholders' Equity		
Share capital	44,075,386	44,075,386
Reserves	1,778,742	1,778,742
Accumulated losses	(82,885,705)	(79,784,982)
Total Shareholders' Equity	<u>(37,031,577)</u>	<u>(33,930,854)</u>
Total Liabilities and Shareholders' Equity	<u><u>1,633,182</u></u>	<u><u>2,417,416</u></u>

**26 Parent entity financial information****Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
	\$	\$
<b>Statement of financial position</b>		
Current assets	44,448	116,388
Total assets	44,448	116,388
Current liabilities	24,165,866	2,967,222
Total Liabilities	24,165,866	2,967,222
Shareholders' equity		
Issued capital	30,580,060	27,093,435
Reserves		
Share-based payments reserve	(343,287)	(32,604)
Share capital reserve	141,717	139,278
Retained earnings	(33,406,301)	(30,050,943)
	<u>(3,027,811)</u>	<u>(2,850,834)</u>
Profit or loss for the year	(3,355,358)	(21,625,277)
Total comprehensive loss for the year	<u><u>(3,355,358)</u></u>	<u><u>(21,625,277)</u></u>

For personal use only

## 27 Financial risk management

The Group's activities expose it to a variety of financial risks such as credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, interest rate and aging analysis for credit risk.

Risk management is managed by the Group's Audit and Risk Committee (the "Committee") under guidance provided by the Board of Directors. Due to the small number of Directors currently, the full Board is operating as the Audit & Risk Committee. The Committee identifies and evaluates financial risks in close cooperation with the Group's operating units. A detailed Enterprise Risk Plan was developed during the year ended June 30, 2015 and approved by the Board. The Plan has been reviewed annually by the Committee and revised on a regular basis, as required.

The Board, via the Committee, provides guidance for overall risk management, as well as policies covering specific areas, such as credit risk, foreign exchange risk and interest rate risk. The Group's principal financial instruments comprise cash and cash equivalents. The Group also has other financial assets and liabilities, such as trade receivables and payables, which arise directly from its operations.

The Group does not typically enter into derivative transactions, such as interest rate swaps or forward currency contracts. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk exposures, foreign currency risk, interest rate risk and liquidity risk. The policies and procedures for managing these risks are summarized below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

The Group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
	\$	\$
<b>Financial Risk Management</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	689,462	1,361,484
Trade and other receivables	695,934	792,934
<b>Total financial assets</b>	<b><u>1,385,396</u></b>	<b><u>2,154,418</u></b>
<b>Financial Liabilities</b>		
Trade and other payables	398,609	576,010
Borrowings	3,248,934	3,533,041
<b>Total financial liabilities</b>	<b><u>3,647,543</u></b>	<b><u>4,109,051</u></b>

## Financial risk management (continued)

**Credit risk**

The Group's credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The compliance with credit limits by customers is regularly monitored by Management. The maximum exposures to credit risk as at June 30, 2019 in relation to each class of recognized financial assets is the carrying amount of those assets, as indicated in the balance sheet.

Financial assets included on the balance sheet that potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents and trade receivables. In accordance with the guidelines of the Group's Short Term Investment Policy, the Group minimizes this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior credit ratings in order to limit the degree of credit exposure. For banks and financial institutions, only independently-rated parties with a minimum rating of "A-1" are accepted. The Group has also established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. The Group does not require collateral to provide credit to its customers, however, the majority of the Group's customers to whom credit is provided are substantial, reputable organizations and, as such, the risk of credit exposure is relatively limited. The Group has not entered into any transactions that qualify as a financial derivative instrument.

In addition, receivable balances are monitored on an ongoing basis. As at June 30, 2019, the Group had raised a provision for doubtful debts of \$NIL (FY18:2,905). In certain circumstances, the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit from customers which can be called upon if the counterparty is in default under the terms of the agreement.

The Group does not typically enter into derivative transactions, such as interest rate swaps or forward currency contracts. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk exposures, foreign currency risk, interest rate risk and liquidity risk. The policies and procedures for managing these risks are summarized below.

Credit risk further arises in relation to financial guarantees given by the Group to certain parties in respect of any obligations of its subsidiaries. Such guarantees are only provided in exceptional circumstances. An analysis of the aging of trade and other receivables and trade and other payables is provided below:

<b>Trade Receivables</b>	<b>Consolidated</b>	
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
	\$	\$
Current (less than 30 days)	675	13,323
31 days to 60 days	-	21,475
61 days to 90 days	-	275
Greater than 90 days	275	2,768
<b>Total trade receivables</b>	<b>950</b>	<b>37,841</b>

Note: Trade receivables do not include the R&D tax concession receivable of \$664,950 (2018: \$731,315)

## Financial risk management (continued)

<b>Trade and other payables</b>	<b>Consolidated</b>	
	<b>Jun 30, 2019</b>	<b>Jun 30, 2018</b>
	\$	\$
Current (less than 30 days)	398,609	571,165
31 days to 60 days	-	-
61 days to 90 days	-	-
Greater than 90 days	-	4,845
<b>Total trade and other payables</b>	<b>398,609</b>	<b>576,010</b>

**Market risk**

## Foreign currency risk

The Group operates internationally and is exposed to foreign currency exchange risk, primarily as at balance date with respect to the US dollar, Euro and Canadian dollar, through financial assets and liabilities. It is the Group's policy not to hedge these transactions as the exposure is considered to be minimal from a consolidated operations perspective. Further, as the Group incurs expenses which are payable in US dollars, Euros and Canadian Dollars, the financial assets that are held in US dollars, Euros and Canadian dollars provide a natural hedge for the Group.

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

The Group has a Foreign Exchange Management Policy which was developed to establish a formal framework and procedures for the efficient management of the financial risks that impact on Simavita Limited through its activities outside of Australia, predominantly in the United States and Europe. The policy governs the way in which the financial assets and liabilities of the Group that are denominated in foreign currencies are managed and any risks associated with that management are identified and addressed. Under the policy, which is updated as circumstances dictate, the Group generally retains in foreign currency only sufficient funds to meet the expected expenditures in that currency.

As at June 30, 2019 the Group held the following financial assets and liabilities that were denominated in the following currencies: AUD – Australian dollars; USD – United States dollars; CAD – Canadian dollars; EUR – European euros; GBP - Great British Pounds.

## Financial risk management (continued)

		\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>	<b>Year</b>	<b>AUD</b>	<b>USD</b>	<b>CAD</b>	<b>GBP</b>	<b>EUR</b>	<b>Totals (AUD)</b>
Cash and cash equivalents	2019	657,846	8,167	21,456	-	1,993	689,462
	2018	1,180,129	13,939	99,662	-	67,754	1,361,484
Trade and other receivables	2019	700,575	(4,641)	-	-	-	695,934
	2018	759,252	(3,253)	-	621	36,314	792,934
<b>Total financial assets</b>	<b>2019</b>	<b>1,358,421</b>	<b>3,526</b>	<b>21,456</b>	<b>-</b>	<b>1,993</b>	<b>1,385,396</b>
	2018	1,939,381	10,686	99,662	621	104,068	2,154,418
<b>Financial Liabilities</b>							
Trade and other payables	2019	392,975	-	2,607	-	3,027	398,609
	2018	511,296	31,437	-	-	33,277	576,010
Borrowings	2019	3,248,934	-	-	-	-	3,248,934
	2018	3,533,041	-	-	-	-	3,533,041
<b>Total financial liabilities</b>	<b>2019</b>	<b>3,641,909</b>	<b>-</b>	<b>2,607</b>	<b>-</b>	<b>3,027</b>	<b>3,647,543</b>
	2018	4,044,337	31,437	-	-	33,277	4,109,051

**(i) Cash and cash equivalents**

During the year ended June 30, 2019, the Australian dollar / US dollar exchange rate decreased by 5.4%, from 0.7391 at the beginning of the year to 0.7013 at the end of the year.

During the same period, the Australian dollar / Canadian dollar exchange rate decreased by 6.4%, from 0.9771 at the beginning of the year to 0.9187 at the end of the year.

Also, during the same period, the Australian dollar / Euro exchange rate decreased by 2.8% from 0.6344 at the beginning of the year to 0.6171 at the end of the year.

Based on the financial instruments held at June 30, 2019, had the Australian dollar weakened / strengthened by 10% against the US dollar, with all other variables held constant, the Group's consolidated loss for the year would have been \$1,000 lower/ \$1,000 higher (2018: \$1,000 lower/ \$1,000 higher), due to changes in the values of cash and cash equivalents which are denominated in US dollars, as detailed in the above tables.

Based on the financial instruments held at June 30, 2019, had the Australian dollar weakened / strengthened by 10% against the Canadian dollar, with all other variables held constant, the Group's equity, relating solely to the movement in profit and loss for the year, would have been \$2,000 lower/\$2,000 higher (2018: \$9,000 lower/\$10,000 higher), due to changes in the values of cash and cash equivalents which are denominated in Canadian dollars, as detailed in the above tables.

Based on the financial instruments held at June 30, 2019, had the Australian dollar weakened / strengthened by 10% against the Euro, with all other variables held constant, the Group's loss for the year would have been immaterial (2018: \$6,000 lower/\$7,000 higher).

**(ii) Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of the business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

**(iii) Trade and other payables**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

## Financial risk management (continued)

**(iv) Borrowings**

The carrying amounts of borrowings are considered to be the same as their fair values. Refer to note 17.

**Interest rate risk**

The Group's main interest rate risk arises in relation to its short-term deposits with various financial institutions. If rates were to decrease, the Group may generate less interest revenue from such deposits. However, given the relatively short duration of such deposits, the associate risk is relatively minimal. As at balance date, the Group has no debt or hire purchase liabilities on which interest expense is charged.

The Group has a Short Term Investment Policy which was developed to manage the Group's surplus cash and cash equivalents. In this context, the Group adopts a prudent approach that is tailored to cash forecasts rather than seeking the highest rates of return that may compromise access to funds as and when they are required. Under the policy, the Group deposits its surplus cash in a range of deposits over different time frames and with different institutions in order to diversify its portfolio and minimize overall risk.

On a monthly basis, Management provides the Board with a detailed list of all cash and cash equivalents, showing the periods over which the cash has been deposited, the name and credit rating of the institution holding the deposit and the interest rate at which the funds have been deposited. A comparison of interest rate movements from month to month and a variance to an 11am deposit rate is also provided.

At June 30, 2019, if interest rates had changed by +/- 50 basis points from the year-end rates, with all other variables held constant, the Group's equity, relating solely to the movement in profit and loss for the year, would not have changed materially. The Group's main interest rate risk during the year ended June 30, 2018 and June 30, 2019 arose in respect of fixed rate borrowings with interest rates that did not fluctuate.

The exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognized and unrealized, for the Group is as follows:

<b>Consolidated</b>	<b>Year</b>	<b>Floating rate \$</b>	<b>Fixed rate \$</b>	<b>Carrying amount \$</b>	<b>Weighted ave. rate % %</b>	<b>Maturity period days</b>
<b>Financial Assets</b>						
Cash and cash equivalents	2019	689,462	-	689,462	0.44%	At call
	2018	1,361,484	-	1,361,484	0.53%	At call
Performance bond and deposits	2019	-	-	-	-	At call
	2018	-	-	-	-	At call
<b>Total financial assets</b>	<b>2019</b>	<b>689,462</b>	<b>-</b>	<b>689,462</b>		
	<b>2018</b>	<b>1,361,484</b>	<b>-</b>	<b>1,361,484</b>		
<b>Financial Liabilities</b>						
Interest-bearing liabilities	<b>2019</b>	-	<b>3,248,934</b>	-	<b>10.53%</b>	
	<b>2018</b>	-	<b>3,533,041</b>	-	<b>11.15%</b>	
<b>Total financial liabilities</b>	<b>2019</b>	<b>-</b>	<b>3,248,934</b>	<b>-</b>		
	<b>2018</b>	<b>-</b>	<b>3,533,041</b>	<b>-</b>		

Note: All periods in respect of financial assets are for less than one year.

## Financial risk management (continued)

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities, such as its hire purchase and credit card facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and, wherever possible, matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying business, Management aims to maintain flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

A balanced view of cash inflows and outflows affecting the Group is summarized in the table below:

Consolidated	Year	< 6 months	6 to 12	1 to 5	> 5 years	Total
		\$	months	years	\$	
<b>Financial liabilities</b>						
Trade and other payables	2019	384,493	14,116	-	-	398,609
	2018	576,010	-	-	-	576,010
Interest-bearing liabilities and deposits	2019	298,535	1,693,973	2,754,929	-	4,747,437
	2018	2,120,575	1,528,658	-	-	3,649,233
<b>Total financial assets</b>	<b>2019</b>	<b>683,028</b>	<b>1,708,089</b>	<b>2,754,929</b>	<b>-</b>	<b>5,146,046</b>
	2018	2,696,585	1,528,658	-	-	4,225,243

**Classification of financial instruments**

AASB 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;  
inputs other than quoted prices included in Level 1 that are observable for the asset or liability,
- Level 2: either directly (i.e. as prices) or indirectly (i.e. derived from prices); and  
inputs for the asset or liability that are not based on observable market data (unobservable
- Level 3: inputs).

The fair values of the Group's financial assets and liabilities as at June 30, 2019 and June 30, 2018 (as set out above) approximate their carrying values due to the short term nature of these instruments.

**Borrowing facilities**

The Group had access to the following borrowing facilities as at June 30, 2019:

Nature of facility	Facility	Amount	Amount
	limit	used	available
	\$	\$	\$
Credit card facilities	90,000	-	90,000

**28 Capital management**

The Group's objective when managing capital is to ensure its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. Refer to [note 10](#) for details of cash reserves of the Group as at the end of the financial reporting period.

**29 Subsequent events**

Company received balance of Tranche 2 payment amounting to \$750,000 from 2019 Convertible Note investors during July 2019.

For personal use only

## Director's Declaration

The Directors of the Group declare that:

- 1 The financial statements and notes are:
  - (a) giving a true and fair view of the Group's financial position as at June 30, 2019 and of its performance for the year ended on that date ;
  - (b) complying with Australian Accounting Standards and other mandatory professional reporting requirements; and
- 2 In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 3 At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 25.

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



MICHAEL R SPOONER  
Chairman

Date: August 30, 2019



DAMIEN M HAAKMAN  
Director

The above declaration should be read in conjunction with the consolidated financial statements and with the accompanying notes.



## *Independent auditor's report*

To the members of Simavita Limited

---

### *Our opinion*

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Simavita Limited (the Company) and its controlled entities (together the Group) as at June 30, 2019 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### *What we have audited*

The Group financial report comprises:

- the consolidated statement of financial position as at June 30, 2019
- the consolidated statement of comprehensive loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the director's declaration.

---

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

### *Independence*

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

---

### *Material uncertainty related to going concern*

We draw attention to Note 2(a) in the financial report, which indicates that the Group incurred a loss before tax of \$3,934,216 for the year ended June 30, 2019 and net operating cash outflows during the same period amounted to \$3,506,527. The Group had a net current asset deficiency as at June 30, 2019 of \$2,319,190 (2018: \$1,723,120). As a result, the continuing viability of the Group is dependent upon continued support of its shareholders, and successfully raising further capital, successfully implementing its revenue growth and cost containment strategies. These conditions, along with other matters detailed in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

### Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$196,700, which represents approximately 5% of the Group's loss before tax.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable loss related thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The Group is in the field of smart, wearable and disposable technologies for the healthcare market. The Group's head office is located in Sydney and the Group operates in Australia, Europe and North America.</li> <li>The accounting processes are structured around a Group finance function located in Sydney. Our audit procedures were predominantly performed at the Group's head office.</li> </ul>	<ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> <li>Accounting for the Research and Development (R&amp;D) tax incentive.</li> <li>Classification and valuation of convertible notes.</li> <li>Material uncertainty related to going concern.</li> </ul> </li> <li>These are further described in the <i>Key audit matters</i> section of our report, except for the matter which is described in the <i>Material uncertainty related to going concern</i> section.</li> </ul>

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matters 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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Accounting for Research and Development (R&amp;D) tax incentive</b> (Refer to note 5 &amp; 11 [\$664,950])</p> <p>The Group obtains Research and Development (R&amp;D) tax incentive payments from the Australian Commonwealth Government that reduces the net overall cost incurred by the Group in respect of its R&amp;D activities. The Group has recognised R&amp;D tax incentive income and receivable of \$664,950 under the relevant scheme for the 2019 financial year.</p> <p>This was a key audit matter because of the judgement involved by the Group in assessing the appropriate quantum of R&amp;D tax incentive to recognise due to the complexity of the rules and regulations governing the tax incentive.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> <li>Assisted by PwC R&amp;D taxation specialists, we developed an understanding of the government compliance requirements for obtaining the R&amp;D tax incentive and the basis used by the Group to recognise this incentive.</li> <li>Tested a sample of employee costs allocated by the Group to R&amp;D activities and considered whether the activities meet the definition and eligibility for an R&amp;D tax incentive.</li> <li>We compared the amounts recorded and subsequently received relating to the 2018 financial year to supporting documentation.</li> <li>Assessed whether all relevant employee costs were included in the R&amp;D tax incentive calculation by comparing the employee costs used to calculate the R&amp;D tax incentive to the expenditure recorded in the general ledger.</li> <li>Compared the Group's calculations for accrued receivables for the R&amp;D tax incentive to prior year approved R&amp;D tax incentive calculation.</li> <li>Evaluated the adequacy of disclosures made by the Group in the financial report in view of the requirements of Australian Accounting Standards.</li> </ul>

For personal use only



For personal use only

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Classification and valuation of convertible notes</b> <i>(Refer to note 17 [\$2,963,052 (\$2,790,000 principal plus accrued interest of \$173,052)])</i></p> <p>During the year, the Group had following convertible notes:</p> <p>2018 Convertible Note – During April 2018 the Group entered into an agreement to issue \$1.4m of convertible notes, with a maturity date of March 31, 2019 and an annual coupon rate of 10% per annum. During the year, the expiry date was extended to March 31, 2020.</p> <p>2019 Convertible Note – During June 2019 the Group entered into an agreement to issue \$3.14m of secured notes, and repayable in three tranches, with an annual coupon rate of 10% per annum.</p> <p>The valuation and classification of the above two convertible notes as debt or equity is dependent on the terms and conditions as stated in the underlying agreements.</p> <p>The above two convertible notes have been classified as debt and as current liabilities.</p> <p>This was a key audit matter due to the judgment required by the Group in determining the cost of conversion and assessing whether the convertible notes should be classified as debt or equity.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"><li>• Tested all funding received for the convertible note 2018 and 2019, and the cost associated with the notes through agreeing the amount to supporting documentation.</li><li>• Assisted by PwC specialists, we developed an understanding of the terms and conditions of the two convertible note agreements (“the Agreements”) and the requisite conditions to be met for conversion.</li><li>• We assessed the Group’s consideration of the accounting classification of the embedded derivatives.</li><li>• Assessed the Group’s classification of debt as current liabilities.</li><li>• Evaluated the adequacy of disclosures made by the Group in the financial report in view of the requirements of Australian Accounting Standards.</li></ul>

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended June 30, 2019, but does not include the financial report and our auditor’s report thereon. Prior to the date of this auditor’s report, the other information we obtained included the Directors’ Report including Remuneration Report, Corporate Governance Statement and Corporate Information. We expect the remaining other information to be made available to us after the date of this auditor’s report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

---

*Responsibilities of management and the directors for the financial report*

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as Management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Management is 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 Management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

---

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Manoj Santiago  
Partner

Sydney  
30 August 2019

For personal use only

# SIMAVITA LIMITED

## CORPORATE INFORMATION

### Directors

Michael R. Spooner (Executive Chairman)  
Gary W. Pace (Non-Executive)  
Damien M. Haakman (Non-Executive)  
Alan D. Fisher (Non-Executive)

### Company Secretary

Peta C. Jurd

### Registered Office

26th Floor, 700 West Georgia Street  
Vancouver BC V7Y 1B3  
Canada

### Head Office

Suite 2.02, Level 2, 54 Miller Street  
North Sydney NSW 2060  
Australia  
Telephone: +61 2 8405 6300  
Facsimile: +61 2 8088 1301  
Email: customerservice@simavita.com

### Simavita Group website

www.simavita.com

### Australian Registered Business Number

165 831 309

### Banker (Canada)

Bank of Montreal  
595 Burrard Street  
Vancouver BC V7X 1L7  
Canada

### Banker (Australia)

Westpac Banking Corporation  
Shop 235, Warringah Mall  
Cnr Old Pittwater Rd & Condamine S  
Brookvale NSW 2100  
Australia

### Banker (USA)

J.P. Morgan Chase Bank N.A.  
3700 Wiseman Boulevard  
San Antonio, TX 78251  
USA

### Lawyers (Canada)

Farris, Vaughan, Wills & Murphy LLP  
25th Floor, 700 W Georgia St  
Vancouver BC V7Y 1B3  
Canada

### Lawyers (Australia)

K&L Gates  
Level 25, 525 Collins Street  
Melbourne VIC 3000  
Australia

### Lawyers (USA)

Masuda, Funai, Eiffert & Mitchell,  
Ltd.  
203 N. LaSalle Street, Suite 2500  
Chicago IL 60601-1262  
USA

### Auditor

PricewaterhouseCoopers  
One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000  
Australia

### Australian Securities Exchange

Code: SVA (CDIs)  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000  
Australia

### CDI Register

Computershare Investor Services Pty. Ltd.  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067  
Australia  
Telephone: +61 3 9415 5000  
Facsimile: +61 3 9473 2500  
www.computershare.com.au