

Novita Healthcare Limited

powering

TALI

Financial Report

2019

Financial Report for the year ended 30 June 2019

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NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

The directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the Group) comprising of Novita Healthcare Limited (the Company), and its subsidiaries for the financial year ended 30 June 2019 and the auditor's report thereon.

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Principal activities

The principal activity of the Group during the course of the financial year was the controlled launch of TALI Train and the on-going development of TALI Detect as part of Novita's CRC-P grant project. TALI Train, is a mobile software application used by clinicians, educators and parents to target the strengthening of core attention in children between the development ages of 3-8.

Novita Healthcare is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Level 5, 19 William Street, Cremorne Vic 3121. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

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Operating and financial review

During the year, Novita's operations have focused on the phased launch of TALI Train in order to test and optimise market fit for the technology. The Company has also directed significant effort into building the evidence base around the TALI Train program and on the continued development of TALI Detect.

The statement of profit or loss and other comprehensive income shows a loss of \$2,944,443 (2018: \$4,193,198) for the year. The Group has no bank debt. As at 30 June 2019 the Group had a cash position of \$341,434 (2018: \$1,161,458). Operating, financing and investing activities incurred a cash outflow for the year of \$860,464 (2018: Inflow \$260,881).

Likely developments, outlook and risks

The Company's focus for the coming year will be to integrate TALI Train and TALI Detect into a commercially suitable platform under the brand name "Ready, Attention, Go" in order to become a global leader in the assessment and treatment of children in the area of inattention. The Company has also completed the divestment of Newly in order to support the mission of the Company to deliver market leading, patient outcome focused digital interventions.

Novita Healthcare's lead product, TALI Train is a program is scientifically and clinically proven to improve attention as a cognitive skill by targeting the core underlying issue which sets it apart from all other brain training or memory-based software applications., and provides a much-needed adjunct to pharmacological treatments. TALI Detect is currently in final development and late stages of a randomised controlled clinical trial with the launch of the assessment tool expected in October 2019.

Novita Healthcare's lead product, TALI Train is a digital cognitive training program which was released in the Australian market during FY2018/2019. The program uniquely targets core areas of weakness in children with developmental delay via a digital game-based software application, and provides a much-needed adjunct or alternative to pharmacological treatments. The claims of the program are underpinned by strong clinical trial data with trials conducted through Monash University. These clinical trials demonstrated that the product was successful in promoting improvements in both attention (in particular the ability to focus on relevant information while ignoring distractions) and academic skills (specifically numeracy abilities) in young children with developmental delay, including those with autism spectrum disorder (ASD)

The ability of the Group to meet operating cash requirements for the next 12 months has been secured by an Entitlement Offer to shareholders raising a total of \$2.0 million (as announced to ASX on 19 September 2019) which will be added to the existing cash on hand of \$0.3 million at the year end. Beyond the next 12 months, the Group expects cash flows being generated from the successful execution of the TALI commercialisation strategy and development opportunities will support the cash position of the Company. The TALI commercialisation strategy is dependent on a number of factors including, among others, assumptions relating to development and marketing expenditure, market demand, sales volume and pricing, working capital requirements and regulatory compliance.

TALI Health Pty Ltd

TALI Health, (100% owned subsidiary of Novita Healthcare) is a med-tech company pioneering development of software solutions to address neurological conditions in early childhood. Backed by over 25 years of research, the TALI platform is a scientific and clinically validated program that addresses the world's leading early childhood issue—inattention, a key feature in conditions including ADHD and ASD). Our team of neuroscientists, developers and designers are on a mission to strengthen the attention of children globally to deliver a lasting social impact.

At TALI, happier kids start here. Approximately 126 million children globally have severe attention difficulties. The key to better outcomes for children with attention difficulties is early identification and intervention. Currently, there is a significant lack of tools available to parents, teachers and healthcare professional to provide effective assessment and treatment. Consequently, many children who have attention difficulties remain undetected and miss out on life-changing interventions. TALI Detect and TALI Train as early assessment and training programs are early intervention programs designed to change that.

TALI focuses on assessing potential attention issues and then if required strengthening underlying attentional processes at the cognitive level. Thus, TALI has the potential to promote deeper and more stable improvements in attention, as well as behavioural symptoms of attention (e.g. inattentive and hyperactive behaviour), without the negative side effects associated with psychostimulant medication. In addition, TALI provides logistical advantages over traditional face to face intervention methods as it uses the latest technology to deliver health care into the home providing significant cost savings and better outcomes for children.

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Capital and Corporate Structure

On 20 July 2018 the Company announced a \$2.8 million placement to institutional and sophisticated investors. Funds raised in the Equity Raising provided balance sheet support to fund the commercial growth of the company's digital therapeutic products.

On 20 July 2018, the Group issued 89,861,033 new shares at an issue price of \$0.031 per ordinary share (New Share).

On 7 August 2019 the Company announced an Entitlement Offer to shareholders to raise a total of \$2 million. Funds raised in the Equity Raising provided balance sheet support to fund Novita's Tali Detect and Tali Train business model including associated capital expenditures, operating costs and working capital.

On 28 August 2019, the Company announced the take-up of the Rights issue entitlements pursuant to the Entitlement Offer and issued 48,579,677 new shares at an issue price of \$0.01 per ordinary share (New Share).

On 5 September 2019, the Company announced the placement of the shortfall to the Entitlement Offer received \$0.5 million and issued 46,000,000 shares at \$0.01 per share.

On 13 September 2019 the Company announced the placement of a further \$0.9 million and issued 91,000,000 shares at \$0.01 per share.

On 19 September 2019 the Company announced the placement of a further \$0.1 million and issued 14,420,377 shares at \$0.01 per share.

Full details of movements in share capital for the year are detailed in Note 18 to the financial statements. There were no changes to the corporate structure of Novita Healthcare Limited during the financial year ended 30 June 2019.

Unissued shares

During the year nil (2018: 14,377,766) options to acquire ordinary shares were issued to the CEO, 6,800,000 (2018: 13,600,000) to the Chair, and 6,800,000 (2018: nil) to vendors. Terms and conditions of the options issued are provided in the remuneration report.

Nil (2018: nil) options were exercised during the financial year. Nil options were forfeited (2018: 6,800,000).

Number of options on issue at the date of this report	Exercise price when granted	Expiry date
Director options:		
6,800,000	\$0.030	21 November 2022
7,188,883	\$0.030	3 October 2022
7,188,883	\$0.030	3 October 2022
6,800,000	\$0.030	21 November 2022
Vendor options:		
6,800,000	\$0.030	21 November 2022
34,777,766		

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Directors' qualifications, experience and responsibilities

The directors of the Company at any time during the year or since the end of the financial year are as follows. Directors were in office for the entire period unless stated otherwise:

Name, qualification and independence status

Experience, special responsibilities and other directorships

Ms Sue MacLeman
Independent Non- Executive Director & Chair
Qualifications: BPharm. MMktg, MLaw, FTSE

Ms S MacLeman joined the Board on 6 September 2019. She is Director and Chair since 6 September 2019 and is a member of the Audit Committee.

Ms S MacLeman has over 30 years' experience in the medtech, pharma and biotech sector and is currently Chair, Anantara Lifesciences Ltd, Chair MTPConnect Ltd, Non – Executive Director Oventus Medical Ltd and Non-Executive Director Palla Pharma Ltd and veski.

Mr Mark Simari
Independent Non-Executive Director
Qualifications: B. Acc, Dip FS

Mr M Simari joined the Board on 1 September 2016. He is the former Managing Director of Paragon Care Limited and currently Chairman of the Novita Healthcare Audit Committee. He has significant experience on boards in privately held and ASX-Listed companies.

Mr Jefferson Harcourt
Non-Executive Director
Qualifications: B.Eng (Hons) GAICD

Mr J Harcourt joined the Board on 25 February 2016. He is a Non-Executive Director of the Company and is a member of the Novita Healthcare Audit Committee. Mr Harcourt oversaw the initial development of TALI and his extensive product development and commercial expertise will assist the Company in commercialising the technology.

Mr J Harcourt sits on a number of private technology company boards in the medical device and security markets.

Mr Glenn Smith
Managing Director
Qualifications: MBA, BA (Econ)

Mr G Smith was appointed Chief Executive Officer on 3 October, 2017 and appointed Managing Director on 10 May, 2018. He has over twenty years' experience in leading customer-centric businesses in periods of rapid growth.

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Company Secretary

Dr Stephen Denaro BCom, CA, MAICD, Grad Dip Corp Gov, AGIA

Mr Denaro was appointed as Company Secretary of Novita Healthcare Limited on 21 February 2019. He has over 30 years of senior financial, administrative, commercial and company secretarial experience with ASX listed companies.

Mr John Osborne was company secretary up to 21 February 2019.

Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares
Ms S MacLeman	292,814	6,800,000
Mr M Simari	3,000,000	3,400,000
Mr J Harcourt	28,688,423	3,400,000
Mr G Smith	1,000,000	14,377,766

Shareholder approval was given on 30 October 2017 to the issue of 6,800,000 options to the ex-chairman Mr B Higgins and 3,400,000 each to Mr J Harcourt and Mr M Simari. These options were issued with an exercise price of \$0.03, an expiry date of 30 October 2022 and are subject to performance hurdles. Mr Higgins options were cancelled upon his resignation on 10 May 2018. 6,800,000 options were issued to Chair Sue MacLeman on 8 October 2018. The terms and conditions were the same as those issued to Mr B Higgins.

Directors' meetings and committee membership

Due to the small number of non-executive directors on the Board, all the incumbent non-executive directors are members of the Audit Committee. The Audit Committee considers quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Company's Remuneration and Nomination Committee was disbanded on 1 July 2016 and the responsibility for the composition of the Board and nomination of new directors and reviewing and monitoring the performance of for directors, executive and staff remuneration is now assumed by the full Board.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	Attended	Held (i)	Attended	Held (i)
Ms MacLeman	9	11	1	2
Mr M Simari	11	11	2	2
Mr J Harcourt	10	11	2	2
Mr Glenn Smith	11	11	-	-

(i) Represents the number of meetings held during the time that the director held office.

Dividends

The directors do not recommend a dividend be paid or declared by the Company for the year. No dividend has been paid by the Company since its incorporation on 7 April 2004.

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Significant changes in the state of affairs

Newly Sale and Healthcarelink Investment completion.

On 18 October 2018, the Company completed the sale of Newly Pty Ltd ('Newly'), to Healthcarelink.

Healthcarelink (www.healthcarelink.com.au) (HCL) is an award winning, online marketplace for jobs and careers in the healthcare and medical industry. The combine entity will create a powerful human resource placement solution in the healthcare sector, driven by deep domain experience of the combined teams and unique SaaS technology offering.

than as detailed elsewhere in this financial report, there has been no significant change in the state of affairs of the company.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The directors believe that the Group has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Group.

Events subsequent to reporting date

On 7 August 2019, the Group announced a 5 for 11 pro-rata non-renounceable entitlement offer of fully paid ordinary shares to raise approximately \$2 million to fund the Groups' TALI Detect and TALI Train business model including associated capital expenditure, operating costs and working capital.

On 27 August 2019 the Company announced the take-up of Rights Issue entitlements lodged by eligible shareholders pursuant to the Entitlement Offer. On 28 August 2019 the Company received \$0.5 million and issued 48.6 million shares at \$0.01 per share.

On 30 August 2019 the Company announced the placement of the shortfall to the entitlement offer to raise a total of \$1.4 million (before costs). This equity raising was structured in three Tranches where Tranche 1 was the issue of 46.0 million shares on 5 September 2019 at \$0.01 per share under the Company's existing placement capacity and the Company received \$0.5 million (before costs). Tranche 2 was an issue of 91.0 million shares on 13 September 2019 at \$0.01 and the company received \$0.9 million (before costs). Tranche 3 was an issue of 14.0 million shares on 19 September 2019 at \$0.01 and the company received \$0.1 million (before costs).

In the interval between the end of the financial year and the date of this report no other item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the directors of the Company against liability arising as a result of a director acting as a director or other officer of the Company. The indemnity includes a right to require the Company to maintain Directors' and Officers' Liability insurance that extends to former directors. The indemnity provided by the Company is an unlimited and continuing indemnity irrespective of whether a director ceases to hold any position in the Company.

Insurance Premiums

Since the end of the financial year, the Company has paid a premium of \$71,500 for Directors' and Officers' Liability insurance for current and former directors and officers, including executive officers of the Company. The directors have not contributed to the payment of the policy premium.

The Directors' and Officers' Liability insurance policy covers the directors and officers of the Company against loss arising from any claims made against them during the period of insurance (including company reimbursement) by reason of any wrongful act committed or alleged to have been committed by them in their capacity as directors or officers of the Company and reported to the insurers during the policy period or if exercised, the extended reporting period.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues

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Risk management (continued)

and risks identified by the Board as a whole, and each respective sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved strategic and operating plans and budgets and Board monitoring of progress against these plans, budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

The establishment of committees to report on specific business risks.

The Audit Committee assists in discharging the Board's responsibility to manage the organisation's risks, and monitors Management's actions to ensure they are in line with Group policy.

Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration forms part of the Directors' Report for the year ended 30 June 2019 and is set out on page 14.

Non-Audit services

The following non-audit services provided by the Group's auditor RSM Australia Partners during the financial year were the directors are satisfied that the provision of non-audit services is compatible with the general standard for independence imposed by the Corporations Act 2001 and with the Company's own Auditor Independence Policy. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. RSM Australia Partners received the following amounts for the provision of the following services:

Non-audit services:

Tax compliance and other advisory services	<u>\$ 7,620</u>
Total Non-audit services	<u>\$ 7,620</u>

The directors are satisfied that the provision of non-audit services is compatible with the general standard for independence imposed by the Corporations Act 2001 and with the Company's own Auditor Independence Policy. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised.

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REMUNERATION REPORT - AUDITED

This report outlines the compensation arrangements in place for Non-Executive Directors (NEDs) and senior executives of the Company being the key management personnel (**KMP**) of the Company – being those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director and includes all the executives in the Company. For the purposes of this report, the term “executive” includes the senior executives but does not include the NEDs or the secretary of the Company. All sections contained herein have been subject to audit as required by section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report.

Details of KMP including the top remunerated executives of the Company are set out in the tables on page 11. Unless otherwise indicated, the individuals were KMP for the entire financial year. There have been no changes to KMP after the reporting date and before the date of this report.

Company performance

	2019	2018	2017	2016	2015
Net profit/(loss) attributable to equity holders of the parent	(2,944,443)	(4,193,198)	(1,366,472)	(\$6,782,938)	(\$6,610,135)
Closing share price (\$)	.012	.035	.029	.025	.007

Principles of compensation and strategy

The full Board assesses the appropriateness of the nature and amount of remuneration of NEDs and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team and aligning the interests of the executives with those of the shareholders.

Novita Healthcare Limited’s remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group. To this end, key objectives of the Company’s reward framework are to ensure that remuneration practices are aligned to the Group’s business strategy, offer competitive remuneration benchmarked against the external market, provide strong linkage between

individual and Group performance and rewards and align the interests of executives with shareholders. Where relevant, the remuneration framework incorporates at risk components through Short-term Incentives (STI) and Long-term Incentives (LTI) arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels.

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

The Board assumes full responsibility for compensation policies and packages applicable to directors and senior executives of the Company. The broad compensation policy is to ensure the compensation package appropriately reflects the person’s duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments remunerated as cash and/or securities (performance rights or options) based on the achievement of specific goals related to the performance of the individual and the Company as a whole as determined by the directors. Incentives are provided to senior executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

Fixed compensation

Fixed compensation consists of a base salary package, which includes Fringe Benefits Tax calculated on any salary packaging arrangements and employer superannuation contributions. Fixed compensation levels for KMP and senior members of staff are reviewed by the Board and comprising the Company’s Key Management Personnel (**KMP**), through a process that considers the employee’s personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data. The Board’s policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Company’s size it is not considered necessary to engage remuneration consultants for this purpose and accordingly the Company undertakes its own informal review, which it does on an ongoing basis

Key Performance Indicators (**KPIs**) are individually tailored by the Board in advance for each employee each year, and reflect an assessment of how that employee can fulfil his or her particular responsibilities in a way that best contributes to Company performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Company.

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Performance linked compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares or options) based on the achievement of specific goals related to (i) performance against individual key performance indicators and/or (ii) the performance of the Company as a whole as determined by the Board based on a range of factors. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors. The purpose of these payments is to reward employees for their contribution to the Group.

Employment contracts for staff other than the KMPs do not generally provide for at-risk or short-term incentive compensation arrangements having regard to the above factors although the Board always retains the right to agree or otherwise provide payments on a discretionary basis in special circumstances or where individual performance merits a payment being made.

The Board is responsible for the determination of incentive compensation for employees and executives and for any decisions to award performance incentives. The Board at its sole discretion determines the total amount of performance-linked compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year).

In respect of the 2019 financial year, an amount of \$92,468 (2018: Nil) was paid to the Managing Director and \$21,000 (2018: nil) to the Chief Research Officer. An amount of \$62,500 (2018: \$nil) has been accrued at the end of the 2019 financial year by way of an employee benefit provision in respect of performance incentives for the 2019 financial year for the Managing Director.

The Directors have the discretion to recommend the offer of performance rights to acquire ordinary shares, options or the direct issue of shares to any member of staff in recognition of exemplary performance. Such securities may be fully vested upon issue given that they are issued as a reward for past performance rather than as an LTI. Any issue of such securities proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules. As at the date of this report, no such securities have been issued.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements. All Performance Rights are also subject to an overriding condition that the financial performance of the Company, in the absolute discretion of the Board, has been satisfactory.

Service contracts

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives.

	Notice period	Payment in lieu of notice	Treatment of Short-Term incentives	Treatment of Long-Term Incentives
Termination by Company (death, disablement, redundancy etc)	3 months (6 months for CEO)	3 months (6 months for CEO)	Any STI payments are at Board discretion	At the discretion of the Board.
Termination for Cause	None	None	Any STI payments are at Board discretion	Unvested awards forfeited. Vested and unexercised awards forfeited.
Resignation by Employee	6 weeks (3 months for CEO)	None	Any STI payments are at Board discretion	Unvested awards forfeited.

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Performance linked compensation

The Company Secretary is engaged by the Company under a consultancy agreement. The agreement provides a fixed monthly fee for "in scope" services with additional work charged at hourly rates. The consultancy agreement is a rolling contract and can be terminated by either party by giving two months' notice in writing to the other party.

Long Term incentive (LTI)

From time to time Board approval may be sought for the issue of securities (performance rights or options) to staff and executives as a means of providing a medium to long term incentive for performance and loyalty. Any such performance rights are issued under the Novita Healthcare Performance Rights Plan.

An amount of \$170,021 (2018: \$356,915) has been recognised in the 2019 financial year by way of shared based payment expense. In order to give the incentive medium to long term impact, the performance rights have an approximate three-year life and a vesting profile as shown following.

2019

Issues in 2019	6,800,000 options were issued to the Chair Ms MacLeman.
Vesting	N/A

2018:

Issues in 2018	6,800,000 options were issued to the Chairman at the time, B Higgins, and 3,400,000 each to Executive Directors J. Harcourt and M. Simari. 14,377,766 options were issued to the CEO, Glenn Smith under the Novita Healthcare right and share option plan in relation to the 2017 long term incentive scheme.
Vesting	1,000,000 shares vested on 30 August 2017 related to performance rights issued to Chief Research Officer in 2017.

Other benefits

No motor vehicle, health insurance or similar allowances are made available to Directors.

Director compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount approved by shareholders is then divided between the directors as agreed by the Board. An amount of \$350,000 was approved at the Company's inaugural Annual General Meeting held on 4 October 2005. The Board does not intend to seek any increase for the NED maximum aggregate fee pool at the 2019 AGM.

The board seeks to set NED fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The maximum aggregate fee pool and the fee structure is reviewed annually against fees paid to NEDs of comparable companies in similar industries.

Non-executive directors do not receive performance related compensation and the structure of non-executive director and senior management compensation is separate and distinct. Non-executive directors do not have contracts of employment but are required to evidence their understanding and compliance with the Board policies of Novita Healthcare Limited. These Board policies do not prescribe how compensation levels for non-executive directors are modified from year to year. Compensation levels are to be reviewed by the Board each year taking into account cost of living changes, changes to the scope of the roles of the directors, and any changes required to meet the principles of the overall Board policies.

From 1 May 2015, the Directors' base fees were \$25,000 and \$50,000 for the non-executive directors and the Chair respectively. From 1 December 2016 the Directors' base fees were increased to \$35,000 each. From the 30 October 2017 the Chair's base fee was increased to \$60,000.

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

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Remuneration Report at FY'18 Annual General Meeting

The remuneration report was approved by shareholders at the 2018 AGM with more than 97% of holders in favour of the resolution.

Directors' and Executive Officers' compensation tables

Details of the nature and amount of each major element of the compensation of each director of the Company and each of the 2 named officers of the Company receiving the highest compensation for the period that the director or officer held that position during the current and prior financial years are disclosed in accordance with Accounting Standard AASB 124 *Related Party Disclosures* and with the Corporations Act 2001 in the following tables.

Details of the Company's policy in relation to the proportion of compensation that is performance related are provided earlier in this report. For the individuals named in the Directors' and Executive Officers' compensation tables, details of their service contracts are provided under the heading of "Service contracts" earlier in this report. Figures in brackets represent the value of bonuses/incentives and options respectively as a percentage of total compensation.

In the following tables, the fair value of the performance rights granted to the Chief Research Officer in the 2017/2018 year have been calculated based on the value at the date of grant using the Monte-Carlo pricing model. Refer to the Note 25 of this report for full details of the performance rights valuations.

2019:

	Short term:			Post Employment:	Share-based Payments:	Total
Base Compensation (salary and fees)	Consulting fees	Non-cash Benefit	Bonuses / incentives	Superannuation Contributions	Shares and Performance Right's Issued	compensation
	\$	\$	\$	\$	\$	\$
Directors						
<i>Non-executive</i>						
Ms S MacLeman (i)	44,663	-	-	4,243	100,640	149,546
Mr M Simari (ii)	36,597	-	-	-	-	36,597
Mr J Harcourt (iii)	35,000	-	-	-	-	35,000
Total compensation	116,260	-	-	4,243	100,640	221,143
Executive Directors						
Mr G Smith (iv)	250,000	-	154,968	23,750	69,381	498,099
Total compensation	250,000	-	154,968	23,750	69,381	498,099
Key Management Personnel						
Dr Hannah Kirk (v)	10,233	-	21,000	2,711	-	33,943
Ms M Klapakis (vi)	165,011	-	-	15,676	-	180,687
Mr M Rose (vii)	100,603	-	-	6,268	-	106,872
Total compensation	275,847	-	21,000	24,655	-	321,502

(i) Appointed on 6 September 2018.

(ii) Appointed on 1 September 2016.

(iii) Appointed on 25 February 2016.

(iv) Appointed 2 October 2017.

(v) Resigned 31 October 2018.

(vi) Appointed on 1 December 2010.

(vii) Appointed on 15 November 2018

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Directors' and Executive Officers' compensation tables (continued)

2018:

	Short term:				Post	Share-based	Total
	Base Compensation (salary and fees)	Consulting fees	Non-cash Benefit	Bonuses / incentives	Employment: Superannuation Contributions	Payments: Shares and Performance Right's Issued	
	\$	\$		\$	\$	\$	\$
Directors							
<i>Non-executive</i>							
Mr M Simari (i)	40,470	-	-	-	-	64,409	104,879
Mr J Harcourt (ii)	35,000	-	-	-	-	64,409	99,409
Mr B Higgins (iii)	39,166	-	-	-	-	128,818	167,984
Mr I Kirkwood (iv)	15,980	-	-	-	1,518	-	17,498
Total compensation	130,616	-	-	-	1,518	257,636	389,770
Executive Directors							
Mr G Smith (v)	184,936	-	-	-	17,569	52,036	254,541
Total compensation	184,936	-	-	-	17,569	52,036	254,541
Key Management Personnel							
Dr H Kirk (vi)	57,740	-	-	-	5,485	47,243	110,468
Ms M Klapakis (vii)	139,549	-	-	-	13,257	-	152,806
Total compensation	197,289	-	-	-	18,742	47,243	263,274

(i) Appointed on 1 September 2017.

(ii) Appointed on 25 February 2016.

(iii) Resigned on 10 May 2018.

(iv) Resigned on 30 October 2017.

(v) Appointed 2 October 2017.

(vi) Resigned 31 October 2018.

(vii) Appointed on 1 December 2010.

In addition to the above directors' remuneration, during the financial year an amount of \$649,881 was paid to Grey Innovation Pty Ltd in 2018 (a company associated with Mr Harcourt) for services in connection with the development of TALI (refer to Note 24 for further details).

Grants, modifications and exercise of options and rights over equity instruments granted as compensation

2019: Other than the 6,800,000 options that were granted to the Chair, there were no options granted as compensation during the financial year.

2018: Other than the 27,977,766 options that were granted to the Directors, there were no options granted as compensation during the financial year.

Shares issued on exercise of performance rights

During the financial year the company issued nil (2018: \$1,000,000) ordinary shares upon the exercise of performance rights for total proceeds of nil (2018: \$30,000). Since the end of the financial year up to the date of this report the company has issued nil (2018: nil) shares upon exercise of performance rights for total proceeds of \$nil (2018: nil).

Alteration to option terms

There have been no alterations to option terms and conditions during or since the end of the financial year up to the date of this report.

Key Management Personnel (KMP)

The numbers of performance rights and options issued, vested and exercisable, and forfeited or lapsed during the financial year and prior financial year for KMP are shown in Note 25.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Equity holdings and transactions

The movements during the reporting period and prior reporting period in the number of ordinary shares in Novita Healthcare Limited held, directly or indirectly or beneficially, by each specified director and specified executive, including their personally-related entities are shown in the following tables. For persons who commenced or ceased as a Director during a period, figures reported are for the period of appointment only.

Number of shares held in Novita Healthcare Limited:

	Holding of Ordinary Shares at 1 July 2018 (or date of appointment)	Shares sold during the financial year	Shares acquired via Rights Issue /performance plan during the financial year	Holding of Ordinary Shares at 30 June 2019
	Number	Number	Number	Number
Directors				
Mrs MacLeman	-	-	292,814	292,814
Mr J Harcourt	25,322,110	-	3,366,313	28,688,423
Mr M Simari	2,000,000	-	1,000,000	3,000,000
Mr G Smith	-	-	1,000,000	1,000,000
Total directors	27,322,110	-	4,549,127	32,981,237
Executives				
Ms M Klapakis	20,000	-	10,000	30,000
Total executives	20,000	-	10,000	30,000
Total Management Personnel	27,342,110	-	4,659,127	33,011,237

Consequences of performance on shareholder wealth

In considering the Group's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the technical and commercial progress on the Company's projects and, where applicable, relationship building with health clinics and institutions and internal innovation etc. The Board has some but not absolute regard to the Group's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Group's assets and where possible building the business and partnerships to establish self-sustaining revenue streams and total shareholder value. The Company is of the view that any short term, adverse movements in the Company's share price should not necessarily be taken into account in assessing the performance of KMP's.

Dated at Melbourne this 20th of September, 2019.

This report is made with a resolution of the directors.



Sue MacLeman
Chair

For personal use only

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AUDITOR'S INDEPENDENCE DECLARATION

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

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN
Partner

Dated: 20 September 2019
Melbourne, Victoria

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2019

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Statement of profit or loss and other comprehensive income For the year ended 30 June 2019	Note	Consolidated 2019 \$	2018 \$
Revenue from continuing operations	4	761,091	440,741
Other income	4	152,776	50,000
Contract research and development expenses	5(a)	(174,852)	(323,096)
Personnel expenses excluding share-based payment expense		(1,848,454)	(826,388)
Share based payment expense	25	(170,021)	(356,915)
Depreciation and amortisation expenses	5(b)	(474,716)	(229,100)
Occupancy expenses		(83,157)	(45,801)
Professional and consulting expenses		(407,791)	(382,522)
Travel and accommodation expenses		(201,198)	(49,082)
Insurance expenses		(67,902)	(62,946)
Corporate administration expenses		(54,999)	(47,305)
Intellectual property expenses		(74,212)	(56,661)
Advertising and Promotion	5(c)	(357,479)	(239,727)
Other expenses	5(c)	(244,922)	(82,702)
Impairment of goodwill and acquired database	13	-	(923,202)
Results from operating activities		(3,245,836)	(3,134,710)
Foreign exchange gains/losses		(4,614)	(14)
Net finance income / (expense)	35	1,613	91,628
Loss before income tax expense from continuing operations		(3,248,837)	(3,043,096)
Income tax expense	7	-	-
Loss after income tax expense from continuing operations		(3,248,837)	(3,043,096)
Profit / (loss) after income tax from discontinued operations	33	304,394	(1,150,106)
Loss attributable to owners of the Company		(2,944,443)	(4,193,198)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net Change in fair value of Investments	11	(200,000)	-
Total comprehensive (loss)/income for the period attributed to owners of the Company		(3,144,443)	(4,193,198)
Basic earnings per share from continuing operations		(.75)	(.98)
Diluted earnings per share from continuing operations		(.75)	(.98)
Basic earnings per share from discontinued operations		.07	(.37)
Diluted earnings per share from discontinued operations		.07	(.37)
Basic earnings per share (cents per share)	22	(.67)	(1.35)
Diluted earnings per share (cents per share)	22	(.67)	(1.35)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2019

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Statement of financial position

as at 30 June 2019	Note	Consolidated	
		2019	2018
		\$	\$
Current assets			
Cash and cash equivalents	9	341,434	1,161,458
Trade and other receivables	10	970,800	814,886
Investments	11	1,350	24,576
Prepayments	12	5,554	14,174
Total current assets		1,319,138	2,015,094
Non-current assets			
Investments	11	800,000	-
Intangible assets	13	2,575,900	1,839,065
Property, plant and equipment	14	479,078	65,654
Total non-current assets		3,854,978	1,904,719
Total assets		5,174,116	3,919,813
Current liabilities			
Trade and other payables	15	587,600	604,597
Net liabilities held for sale		-	56,029
Borrowings	16	429,968	-
Lease Liabilities	17	74,806	-
Deferred income	34	187,659	72,789
Employee benefits	27	156,605	104,585
Total current liabilities		1,436,638	838,000
Non-current liabilities			
Employee benefits	27	9,527	2,353
Lease Liabilities	17	250,196	-
Deferred Income	34	1,210,663	418,534
Total non-current liabilities		1,470,386	420,887
Total liabilities		2,907,022	1,258,887
Net assets		2,267,094	2,660,926
Equity			
Share capital	18	194,976,507	192,495,917
Share based payment reserve	25	638,126	368,105
Revaluation reserve		(200,000)	-
Accumulated losses	19	(193,147,539)	(190,203,096)
Total equity		2,267,094	2,660,926

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Statement of changes in equity

For the year ended 30 June 2019

Note

		Issued capital	Accumulated losses	Share based payments reserve	Change in Fair value reserve	Total Equity
		\$	\$	\$	\$	\$
Opening balance as at 1 July 2019		192,495,917	(190,203,096)	368,105	-	2,660,926
Comprehensive (loss)/income for the period						
Loss	19	-	(2,944,443)	-	-	(2,944,443)
Total other comprehensive income			-	-	(200,000)	(200,000)
Total comprehensive income/(loss) for the period		-	(2,944,443)	-	(200,000)	(3,144,443)
Transactions with owners, recorded directly in equity.						
Contributions by owners						
Issue of ordinary shares pursuant to private placement		2,785,692	-	-	-	2,785,692
Transaction costs relating to issue of ordinary shares		(305,102)	-	-	-	(305,102)
Share-based payment transactions to employees		-	-	170,021	-	170,021
Share-based payments (to vendors)		-	-	100,000	-	100,000
Total transactions with owners		2,480,590	-	270,021	-	2,750,611
Closing balance as at 30 June 2019	18,19	194,976,507	(193,147,539)	638,126	(200,000)	2,267,094

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Statement of changes in equity

For the year ended 30 June 2018	Note	Consolidated				Total Equity
		Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	
		\$	\$	\$	\$	\$
Opening balance as at 1 July 2017		188,263,259	(186,547,094)	11,190	537,196	2,264,551
Comprehensive (loss)/income for the period						
Loss	19	-	(4,193,198)	-	-	(4,193,198)
Total comprehensive income/(loss) for the period		-	(4,193,198)	-	-	(4,193,198)
Foreign currency translation reserve (*)		-	537,196	-	(537,196)	-
Transactions with owners, recorded directly in equity.						
Contributions by owners.						
Issue of ordinary shares upon a business acquisition #		920,673	-	-	-	920,673
Issue of ordinary shares pursuant to private placement		2,500,000	-	-	-	2,500,000
Issue of ordinary shares pursuant to shortfall		396,265	-	-	-	396,265
Issue of ordinary shares pursuant to rights issue		621,233	-	-	-	621,233
Issue of shares to Grey Innovation in accordance with 18 August 2017 EGM		170,000	-	-	-	170,000
Transaction costs relating to issue of ordinary shares		(375,513)	-	-	-	(375,513)
Equity settled share-based payment transactions (to employees)		-	-	356,915	-	356,915
Total transactions with owners		4,238,658	(537,196)	356,915	(537,196)	4,589,573
Closing balance as at 30 June 2018	18,19	192,495,917	(190,203,096)	368,105	-	2,660,926

Amounts disclosed in the statement of changes in equity are stated net of tax.

(*) Foreign Currency Translation Reserve was transferred to Accumulated Losses as in no longer relevant.

(#) An upfront purchase consideration of \$920,673 (being agreed purchase price less settlement adjustments) in fully paid ordinary shares in Novita at an issue price of \$0.03.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

Statement of cash flows

For the year ended 30 June 2019	Note	Consolidated	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers from continuing operations		372,134	69,499
Cash payments to suppliers and employees		(4,367,397)	(2,554,870)
R&D incentive		734,216	504,348
Grants Received		672,800	186,920
Interest received		32,324	31,999
Net cash used in operating activities	21	(2,555,923)	(1,762,104)
Cash flows from investing purchases			
Payments for intangible assets		(772,533)	(1,177,494)
Payments for investments		(400,000)	-
Payments for plant and equipment		(153,379)	(44,237)
Proceeds from disposal of listed equity instruments		22,756	99,736
Net cash used in investing activities		(1,303,156)	(1,121,995)
Cash flows from financing activities			
Proceeds from issue of shares pursuant to private placement		2,785,692	2,500,000
Proceeds from issue of shares pursuant to share purchase plan		-	1,017,498
Share issue costs		(205,102)	(372,518)
Proceeds from Borrowings		418,025	-
Net cash used in financing activities		2,998,615	3,144,980
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		1,201,898	941,017
Effect of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial year	9	341,434	1,201,898

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

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NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

1 Reporting entity

Novita Healthcare Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at 30 June 2019 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in research and development, for commercialisation, of pharmaceutical programs and medical technology projects. The Company is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Level 5, 19 William Street, Cremorne Vic 3121. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

2 Basis of preparation**(a) Statement of compliance**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

(b) Going concern

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

As disclosed in the financial statements for the year ended 30 June 2019, the consolidated entity incurred a loss of \$2,944,443 (30 June 2018: loss of \$4,193,198) and had negative operating cash flows of \$2,555,923 (30 June 2018: negative operating cash flows of \$1,762,104). The consolidated entity's main activity is developing and commercialising the TAL1 products and various service lines which will require further funding and investment.

Despite this financial position, in the Directors opinion there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, able to pay its debts as and when they fall due, after consideration of the following:

- Subsequent to year-end, the consolidated entity raised \$2.0 million of additional capital.
- The company is forecasting increased revenue growth from the increased sales of licenses for the TAL1 products, which will deliver greater cash inflows.

(c) Use of estimates and judgements

The preparation of consolidated financial statements conforms with Australian Accounting Standards which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgments made in preparing the financial statements are:

- assessing the carrying amount and estimated useful life of identifiable intangible assets (refer to note 13); and
- assessing the carrying amount of investments (refer to note 11).

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

3 Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not mandatory have not yet been adopted, with the exception of AASB 16 leases, note below.

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

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss, the standard requires the portion of the change in fair value that related to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

AASB 15 Revenue from Contracts with Customers

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

AASB 16 Leases

The consolidated entity has early adopted AASB 16. The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 superseded the lease guidance including AASB 117 Leases and the related Interpretations when it became effective for accounting periods beginning on or after 1 January 2019. The initial date of application of application of the standard for the consolidated entity was 1 July 2018. The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The consolidated entity applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2018 (whether it is a lessor or a lessee in the lease contract).

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is detailed in note 17.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

3 Significant accounting policies (continued)**(a) Revenue recognition***Sale of goods*

AASB15 replaces AASB8 Revenue which covers contracts for goods and services. AASB15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer which is generally at the time of delivery.

Government grants

Conditional government grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

An unconditional grant is recognised in profit or loss as other income when the grant becomes receivable.

(b) Financial instruments

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

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

For financial assets measured at fair value through other comprehensive income, the loss is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit and loss.

Cash and cash equivalents comprise cash balances and call or term deposits. Accounting for finance income and costs are discussed in Note 3(c).

(c) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, and changes in the fair value of financial assets at fair value through profit or loss, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

NOVITA HEALTHCARE LIMITED ABN 53 108 150 750

3 Significant accounting policies (continued)**(d) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST excluded. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated to Australian dollars using the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

(f) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Property, plant and equipment**(i) Owned assets**

The Group holds no property. Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of day to day servicing of plant and equipment are recognised in profit or loss as incurred. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2.5 – 10 years
- Leasehold improvements 3 years
- Right-of-use asset 3 years

Depreciation methods, useful lives and residual values are reassessed annually at the reporting date.

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3 Significant accounting policies (continued)**(h) Intangible assets**

Intangible assets acquired by the Group which satisfy the asset recognition criteria set out in AASB 138 Intangible Assets, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets which are considered to have a finite life are amortised over their estimated useful life. In respect of acquired licences / marketing rights, amortisation commences upon the asset becoming available for use, based on commercialisation of the licensed or marketed product. The estimated useful life of acquired intellectual property is 5-20 years (2018: 5-20 years).

Research and development

Research costs are expensed in the period in which they are incurred, Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured realisably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit being their finite life of 7 years.

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the groups share of the net identifiable assets of the acquired subsidiaries or associate at the date of acquisition.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity of three months or less.

(k) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss in respect of an asset measured at amortised cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the effective original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Aside from impairment of goodwill, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The carrying amounts for non-financial assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is determined as the greater of its value in use and its fair value less costs to sell. Value in use is assessed using discounted cash flow analysis. When determining fair value less costs to sell, Novita Healthcare takes into account information from recent market transactions and other available market-based information.

(l) Employee benefits**(i) Long-term service benefits**

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method.

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3 Significant accounting policies (continued)**(l) Employee benefits continued****(ii) Share-based payment transactions**

The Group provides benefits to its employees in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity-settled transaction). There is currently a Performance Rights Plan in place as part of the LTI, for the issue of share-based payments to staff and KMP as a reward for performance and loyalty. LTI awards to executives are made under the executive Performance Rights plan and are delivered in the form of performance rights or zero exercise price options. The performance rights will vest over a period of three years subject to meeting performance measures. The cost of the equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (vesting period), ending on the date the relevant employees benefit become fully entitled to the award (the vesting date). The fair value of the performance rights is based on the Monte Carlo pricing model to test the likelihood of attaining the performance hurdles.

(iii) Wages, salaries, annual leave and at-risk performance incentives

Liabilities for employee benefits for wages, salaries, annual leave and performance incentives represent present obligations resulting from employees' services provided up to reporting date and are calculated at undiscounted amounts based on compensation wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

(iv) Superannuation

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due. The Company has no defined benefit pension fund obligations.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Lease make good provision

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

(n) Right-of-use Asset

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct asset. If the supplier has a substantiate substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:

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3 Significant accounting policies (continued)

(n) Right-of-use Asset (continued)

- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contracts entered into or changed on or after 1 July 2018.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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3 Significant accounting policies (continued)**(n) Right-of-use Asset (continued)**

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statements of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments as associated with these leases as an expense on a straight-line basis over the lease term.

Payments made under short term operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(o) Research and development

Research expenditure undertaken with the prospect of gaining new scientific or technical knowledge or understanding is expensed in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and completion of development is intended.

(p) Segment reporting

A segment is a distinguishable component of a company engaged in providing products or services within a particular business sector or geographical environment. The Group determines and presents operating segments based on information that internally is provided to and used by the Executive Chairman, who is the Group's chief operating decision maker. The Group operates within three business segments comprising research and development, Healthcare/Workforce Management and investments. Discrete financial information about each of these operating businesses is reported to the Board on at least a monthly basis.

(q) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, including share options granted to employees and to third parties.

(r) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any associated tax benefit.

(s) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2019 have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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3 Significant accounting policies (continued)**(u) Business combination**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

(v) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposals groups to fair value less costs of disposal. A gain is recognised for an subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

4. Revenue from continuing activities

	Consolidated	
	2019	2018
	\$	\$
R&D tax incentive	354,156	231,086
Grant Revenue	319,193	186,920
Sales Revenue	87,742	22,735
Total revenue from operating activities	761,091	440,741
Other revenue	152,776	50,000
Total other revenue	152,776	50,000

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5. Profit before related income tax expense

	Consolidated	
	2019	2018
	\$	\$
a) Items included in profit before related income tax expense:		
Contract research and development expenditure	174,852	323,096
Direct research and development expenditure	471,969	562,149
Research and Development	646,821	958,291
b) Profit before related income tax expense has been arrived at after charging the following items:		
Depreciation of plant and equipment	144,421	24,302
Amortisation of intangible assets	330,295	204,798
Amounts recognised in provisions for employee entitlements	138,050	59,028
Superannuation payments to defined contribution plans	137,356	108,793
c) Other expenses		
Advertising and promotion	357,479	239,727
Workplace administration	127,240	57,793
Asset management	8,820	4,286
Other expenses	108,862	20,623
Total other expenses	602,401	322,429

6. Auditors' remuneration

	2019	2018
	\$	\$
Audit services:		
Auditors of the Company - RSM	55,680	44,000
Total audit services	55,680	44,000
Other services:		
Tax compliance and advisory services -RSM	7,620	8,500
Total other services	7,620	8,500

7. Income Tax

	2019	2018
Current tax expense (benefit) – current year	-	-
Deferred tax expense – continuing operations	-	-
Total income tax expense (benefit) in income statement attributable to continuing operations	-	-
Numerical reconciliation between tax expense and pre-tax net loss:		
Loss before tax – continuing operations	(2,944,443)	(4,193,198)
Income tax using domestic tax rate of 30% (2018: 30%)	(883,333)	(1,257,959)
Change in unrecognised temporary differences	373,916	232,249
Increase in income tax expense due to:		
Non-deductible expenses	21,935	284,862
Use of tax losses not recognised	362,580	387,849
Research and development allowance	300,293	286,245
Decrease in income tax expense due to:		
Items deductible for tax purposes	(175,391)	66,754
Income tax expense on pre-tax net loss	-	-

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7. Income Tax (continued)

The deductible temporary differences and any tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available from which the Company can utilise the benefits. There was no deferred tax recognised directly in equity.

8 Dividend franking account

The Company has no franking credits at reporting date.

9 Cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and on hand	39,895	176,035
Cash classified as held for sale	-	40,441
Bank short term deposits	301,539	985,422
Total cash assets	341,434	1,201,898

Financing arrangements

A security bond of \$100,000 was provided on a Bank Guarantee on the Company's new premises. Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 1.3% (2018: 1.7%).

10 Receivables

	2019	2018
	\$	\$
Current		
Trade and other receivables	225,232	80,670
R&D Incentives and other tax receivables	745,568	734,216
Total Current Receivables	970,800	814,886
Non-Current		
Loans to employees	-	10,000
Less impairment provision	-	(10,000)
Total Non-Current Receivables	-	-

Allowance for expected credit losses

The consolidated entry has recognised a loss of \$0 (2018: nil) in profit and loss in respect of the expected credit losses for the year ended 30 June 2019.

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11 Investments

	Consolidated	
	2019	2018
	\$	\$
Current		
Financial assets classified at fair value through the Profit & Loss	1,350	24,576
	1,350	24,576

Investments in equity instruments are categorised as Level 1 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices.

	Ordinary Shares at fair value through OCI
Non-Current	
<i>Investments in equity instruments</i>	
Balance at 1 July 2018	-
Additions	1,000,000
Change in fair value recognised in other comprehensive income	(200,000)
Balance at 30 June 2019	800,000

Ordinary shares at fair value through OCI are categorised as Level 3 within the fair value hierarchy and are valued using a discounted cash flow model.

The level 3 assets are liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Ordinary shares at fair Value through other comprehensive income	Growth rate	70-80%	5% change would increase/decrease fair value by \$360,000
	Discount rate	20-23%	1.00% change would increase/decrease fair value by \$12,000

On 18 October 2018 Newly Pty Ltd, a fully owned subsidiary of Novita Healthcare, sold its entire business as a going concern. In consideration for the sale the consolidated entity received 600 fully paid shares (10%) in Healthcarelink Group Pty Ltd, plus the right to earn out shares. As part of the sale agreement 400 fully paid ordinary shares in the Company were purchased at an issue price of \$1,000 per share.

12 Other assets

	2019	2018
	\$	\$
Current		
Prepayments	5,554	14,174
	5,554	14,174

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13 Intangible assets

	Acquired Licenses	Acquired Intellectual property	Internally developed assets	Goodwill	Acquired database	Total
Gross Carrying amount						
Carrying amount at 1 July 2018	375,000	721,074	1,171,310	-	-	2,267,384
Addition, internally developed	-	-	1,067,128	-	-	1,067,128
Acquisition through business acquisition	-	-	-	-	-	-
Balance at 30 June 2019	375,000	721,074	2,238,438	-	-	3,334,512
Amortisation and Impairment						
Carrying amount at 30 June 2018	(44,468)	(342,017)	(41,832)	-	-	(428,317)
Amortisation	(18,750)	(144,214)	(167,331)	-	-	(330,295)
Impairment losses	-	-	-	-	-	-
Balance at 30 June 2019	(63,218)	(486,232)	(209,163)	-	-	(758,612)
Carrying amount at 30 June 2019	311,782	234,842	2,029,275	-	-	2,575,900
Gross Carrying amount						
Carrying amount at 1 July 2017	375,000	721,074	-	-	-	1,096,074
Addition, internally developed	-	-	1,171,310	-	-	1,171,310
Acquisition through business acquisition	-	-	-	855,522	84,600	940,122
Balance at 30 June 2018	375,000	721,074	1,171,310	855,522	84,600	3,207,506
Amortisation and Impairment						
Carrying amount at 30 June 2017	(25,718)	(197,803)	-	-	-	(223,521)
Amortisation	(18,750)	(144,214)	(41,832)	-	(16,920)	(221,716)
Impairment losses	-	-	-	(855,521)	(67,680)	(923,202)
Balance at 30 June 2018	(44,468)	(342,017)	(41,832)	(855,521)	(84,600)	(1,368,438)
Carrying amount at 30 June 2018	330,533	379,057	1,128,478	-	-	1,839,065

(i) Licences and Technology

On the acquisition of TALI Health Pty Ltd announced on February 15th 2016, Novita Healthcare recognised intellectual property (including licenses) at a fair value of \$1,096,074. Intangibles are initially recognised at cost and amortised on a straight-line basis over the period of expected benefit, less any adjustments for impairment losses. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

(ii) Internally Developed Assets

Internally developed assets included the applied R&D activities conducted on the TALI Technology in respect of the development stage of the TALI Train, TALI Detect and TALI Maintain projects.

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13 Intangible assets (continued)**(iii) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates, accounted for using the equity method. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to Cash Generating Units for the purpose of impairment testing.

As at 30 June 2018, following the annual goodwill impairment analysis, the value in the calculation showed that the goodwill and database related to the Newly acquisition should fully impaired. The impairment of \$923,202 was booked.

14 Property, plant and equipment

	Consolidated	
	2019	2018
	\$	\$
Leasehold Improvements – at cost	164,383	38,886
Less: Accumulated depreciation	(55,834)	(19,277)
	108,549	19,609
Property, plant and equipment – at cost	170,495	138,247
Less: Accumulated depreciation	(111,158)	(92,205)
	59,337	46,042
Right of use asset	400,104	-
Less: Accumulated depreciation	(88,912)	-
	311,192	-

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

2019	Leasehold improvements	Plant and Equipment	Right of use asset	Total
	\$	\$	\$	
Balance as at 1 July 2018	19,609	46,045	-	65,654
Additions	125,497	32,244	400,104	553,483
Depreciation expense	(36,558)	(18,951)	(88,912)	(144,421)
Balance as at 30 June 2019	108,549	59,337	311,192	479,078

2018	Leasehold improvements	Plant and Equipment	Right of use asset	Total
	\$	\$	\$	
Balance as at 1 July 2017	35,032	16,804	-	51,847
Additions	-	39,390	-	39,390
Depreciation expense	(15,423)	(10,160)	-	(25,583)
Balance as at 30 June 2019	19,609	46,045	-	65,654

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15	Trade and other payables	Consolidated	
		2019	2018
		\$	\$
	Trade creditors and accruals	587,600	604,597

The Group's exposure to currency and liquidity risk related to trade creditors and accruals is disclosed in Note 23.

16	Borrowings	2019		2018	
		\$	\$	\$	\$
	Loan - R&D Advance	429,968	-	-	-

The liabilities as at 30 June 2019 represent a loan facility and is an advance on 80% of the group's R&D Tax Incentive for the three quarters ending 31 March 2019. The interest payable for the loan facility is 15% per annum. 1.16% per month, compound interest payable by 31 October 2019 and is secured by the R&D tax Incentive for the 2018/2019 year. Total transaction costs were \$769 at the date of issue and the interest charged to 30 June 2019 was \$11,943. The amount borrowed was \$417,256.

17	Lease liabilities	2019		2018	
		\$	\$	\$	\$
	Maturity analysis – contractual undiscounted cash flows				
	Less than one year	137,178	-	-	-
	One to five years	191,217	-	-	-
	More than five years	-	-	-	-
	Total undiscounted lease liability at 30 June	328,395	-	-	-
	Lease liabilities included in the statement of financial position at 30 June 2019	305,990	-	-	-
	Current	74,806	-	-	-
	Non-current	250,196	-	-	-
	Amounts recognised in profit or loss	2019	2018		
		\$	\$		
	Interest on lease liabilities	(13,860)	-		
	Amounts recognised in the statement of cash flows	2019	2018		
		\$	\$		
	Total cash outflow for leases	(88,963)	-		

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18 Issued capital**Terms and conditions of ordinary shares**

Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. Ordinary shares have no par value.

Shares

	2019		2018	
	\$	Number	\$	Number
449,305,165 (2018: 359,444,132) ordinary shares, fully paid	194,976,507	449,305,165	192,495,517	328,755,037
Movements in issued capital during the year were as follows:				
Balance at the beginning of the financial year	192,495,917	359,444,132	188,263,259	204,838,430
Issue of shares pursuant to private placement	2,785,692	89,861,033	2,500,000	83,333,334
Issue of shares Issued pursuant to Shortfall	-	-	396,265	13,208,848
Issue of shares pursuant to rights issue	-	-	621,233	20,707,758
Issue of shares and Expenses of Options	-	-	-	1,000,000
Issue of shares to Grey Innovation in accordance with 18 August 2017 EGM	-	-	170,000	5,666,667
Shares issued in escrow *	-	-	920,673	30,689,095
Transaction costs relating to Rights Issue and placements	(305,102)	-	(375,510)	-
Issued capital at the end of the financial year	194,976,507	449,305,165	192,495,917	359,444,132

*As at 30 June 2018 the 30,689,095 shares issued as consideration for the acquisition of Newly Pty Ltd are were held in escrow until August 2018.

19 Accumulated losses

	Consolidated	
	2019	2018
	\$	\$
Accumulated losses at the beginning of the financial year	(190,203,096)	(186,547,094)
Foreign Currency Translation Reserve Transfer	-	537,196
Net loss attributable to owners of the Company	(2,944,443)	(4,193,198)
Accumulated losses at the end of the financial year	(193,147,539)	(190,203,096)

20 Commitments**(a) Non-cancellable operating lease expense commitments**

Future operating lease commitments not provided for in the financial statements and payable:

- Within one year	21,325	36,217
- One year or later and no later than five years	-	24,562
- Greater than five years	-	-
	21,325	60,779

(b) Cancellable research and development commitments

- Within one year	452,973	1,309,209
- One year or later and no later than five years	-	110,603
	452,973	1,419,812

Amounts reflected in the above table represent contracted commitments to undertake various research and development activities studies as part of the development of the Company's project portfolio. Each commitment is cancellable without penalty subject to notice periods of up to fourteen days.

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21 Notes to the statement of cash flows

Cash as at the end of the financial year in the statement of cash flows is reconciled to the related items in the balance sheet as follows:	2019	2018
	\$	\$
Cash at bank and on hand	39,895	176,035
Cash at bank held by disposal groups as held for sale	-	40,441
Bank short term deposits	301,539	985,422
Cash assets (Note 9)	341,434	1,201,898
Loss after income tax	(2,944,443)	(4,193,198)
Add non-cash & non-operating items:		
- Depreciation, amortisation and loss on disposal of plant and equipment	479,562	247,303
- Shared based payment expense	170,021	356,915
- Foreign exchange (gains)/losses	-	6,145
- Investment (gain)/loss on revaluation	2,137	45,279
- Accrued interest	11,492	35,204
- Impairment of goodwill and intangibles	-	923,202
- Gain on disposal of investment	(575,253)	-
Change in operating assets and other receivables		
- (Increase) / decrease in Receivables	(155,915)	(246,036)
- (Increase) / decrease in Other assets	(15,864)	(13,409)
- Increase / (decrease) in Employee benefits	54,544	44,603
- Increase / (decrease) in Deferred income	906,999	491,323
- Increase / (decrease) in Payables	(423,080)	540,565
- Increase / (decrease) in Other liabilities	(66,122)	-
Net cash used in operating activities	(2,555,923)	(1,762,104)

Non-cash financing and investing activities

There have been no non-cash financing and investing transactions during the 2019 financial year (2018: nil) which have had a material effect on assets and liabilities of the Group.

22 Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Basic Earnings per share (cents per share)	(0.67)	(1.35)
Diluted Earnings per share (cents per share)	(0.67)	(1.35)
a) Earnings reconciliation		
Net loss:		
Basic earnings	(2,944,443)	(4,193,198)
Diluted earnings	(2,944,443)	(4,193,198)
b) Weighted average number of shares		
Number for basic earnings per share:	Number	Number
Ordinary shares	434,779,683	311,380,839
Number for diluted earnings per share:	Number	Number
Ordinary shares	434,779,683	311,380,839
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted)	434,779,683	311,380,839

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23 Financial instruments disclosure and financial risk management

The Group has exposure to market, credit and liquidity risks from the use of financial instruments. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group has adopted a Strategic Risk Management Framework through which it manages risks and aims to develop a disciplined and constructive control environment and action plans for risks that cannot be effectively managed through the use of controls. The Audit Committee oversees how management monitors compliance with the Company's Strategic Risk Management Framework in relation to the changing risks faced by the Group.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the financial return. No more than \$2.7m of the Group's cash resources is permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10% below the initial acquisition cost.

(i) Foreign Currency risk

The Company has contracts denominated in foreign currencies, predominantly in US dollars and Euros, and may enter into forward exchange contracts where appropriate in light of anticipated future purchases and sales, conditions in foreign markets, commitments from customers and past experience and in accordance with Board-approved limits. Note 3(e) sets out the accounting treatments for such contracts. There were no hedged amounts payable or receivable in foreign currencies at reporting date (2018: nil).

At reporting date, the Company had the following exposures to foreign currency, converted to AUD:

	2019				2018			
	GBP	USD	SGD	EURO	GBP	USD	SGD	EURO
Bank accounts	-	144	-	-	-	144	-	-
Receivables	-	-	-	-	-	-	-	-
Payables	(542)	(1,117)	-	(9,258)	-	-	(1,058)	-
Gross balance sheet exposure	(542)	(973)	-	(9,258)	-	144	(1,058)	-

Foreign currency sensitivity analysis

A 10 % strengthening or weakening of the Australian dollar applied against the Gross balance sheet exposure in the above table in respect of the above currencies at 30 June 2019 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A sensitivity of 10% has been selected as this is considered reasonable taking in to account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. The analysis is performed on the same basis for 2018. There is no impact on equity.

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23 Financial instruments disclosure and financial risk management (continued)

Foreign currency sensitivity analysis (continued)

2019

Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	682	(833)	974	(1,190)

2018

Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	56	(57)	79	(82)

The following significant exchange rates applied during the financial year:

Currency	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
GBP	0.55	0.57	0.55	0.56
USD	0.72	0.77	0.70	0.74
EURO	0.63	0.65	0.62	0.63

(ii) Interest rate risk

The effective weighted average interest rate used to discount the Long Service Leave provision is 2.6% (2018: 2.6%). Interest earned on cash at bank is determined in accordance with published bank interest rates. The Company's exposure to interest rate risk is confined to cash assets, the effective weighted average interest rate for which is set out below.

	Note Number	Effective interest rate %	Floating interest rate \$	3 months or less \$	Non-interest bearing \$	Total \$
Financial assets:						
Cash assets – at 30 June 2019	9	1.1	301,539	-	39,895	341,434
Cash assets – at 30 June 2018	9	1.8	335,422	750,000	176,035	1,161,458

An increase or decrease of 0.50% in interest rates applied for 12 months to the cash balances at reporting date would have increased or decreased profit or loss by \$1,707 (2018: \$5,807), assuming that all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

Financial liabilities:						
Borrowings – at 30 June 2019	16	15	429,968	-	-	429,968
Borrowings – at 30 June 2018	16		-	-	-	-

	2019 Profit and loss		2018 Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Cash at bank – variable interest rate:				
\$AUD	1,707	(1,707)	5,807	(5,807)

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23 Financial instruments disclosure and financial risk management (continued).**(b) Credit risk**

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. For financial assets, the credit risk exposure of the Group is the carrying amount of the asset net of any provision for doubtful debts. For the Group, from interest and capital on deposits with financial institutions.

(i) Investments (including cash)

The Group's Cash Management and Treasury Policy limits the maximum proportion of Novita Healthcare's aggregate gross cash resources that can be placed with or invested in any one counterparty, having regard to the credit risk assigned to that counterparty unless the Board determines otherwise. No more than \$2.7 million of the Group's cash resources permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10% below the initial acquisition cost.

(i) Receivables

The Group undertakes due diligence prior to entering into any collaboration, co-development or licensing agreement with a counterparty that exposes the Group to credit risk. The Group's exposure to credit risk from receivables is shown below. No amounts are past due and impaired at balance date.

	Note Number	3 months or less \$	Greater than 3 months \$	Greater than 1 year \$	Total \$
Financial assets:					
Receivables – at 30 June 2019	10	962,000	8,800	-	970,800
Receivables – at 30 June 2018	10	813,906	1,980	-	814,886

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will maintain sufficient liquidity to meet its liabilities when due having regard to forecast cash inflows and outflows, which in turn may be impacted by planned corporate transactions.

The Company has no lines of credit other than a Bank Guarantee of \$100,000. The Company manages its liquidity risk using existing cash reserves managed in accordance with a Cash Management and Treasury Policy. Under this policy, sufficient liquidity to meet day to day operating requirements is maintained in interest-bearing operating, "at-call" and term bank accounts. Cash balances are prepared daily and cash requirements monitored on weekly, month end reporting and annual budget/forecast cycles.

At reporting date, the Group had the following financial liability exposures.

	Note Number	3 months or less \$	Greater than 3 months \$	Total \$
Financial liabilities:				
Creditors and other accruals – at 30 June 2019	15	591,480	21,120	612,600
Creditors and other accruals – at 30 June 2018	15	370,492	34,105	604,597

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23 Financial instruments disclosure and financial risk management (continued)

	2019 Profit and loss		2018 Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Financial liabilities	3,063	(3,063)	3,023	(3,023)

(d) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the Group on the following bases:

- (i) for monetary financial assets and financial liabilities not readily traded in an organised financial market, values are determined by valuing them at the value of contractual cash flow amounts due from customers and payable to suppliers discounted as appropriate for settlements beyond 12 months;
- (ii) the carrying amounts of bank balances and deposits, trade debtors and accounts payable expected to be payable within 12

At reporting date there were no material differences between carrying values and fair values.

(e) Capital management

The Board's policy is to maintain a sufficient capital base so as to sustain investor, creditor and market confidence and to facilitate the future development of the business. As noted in Note 2 (b), in order to meet forecast operating cash requirements, the Company may need to raise funds from other sources which may include raising capital or securing debt facilities.

24 Related parties

Disclosures of compensation policies, service contracts and details of individual directors and executive's compensation are included in the Remuneration Report section of the Directors' Report on pages 7 to 13.

Directors and Key Management Personnel compensation

The Directors and Key Management Personnel compensation included in "employee expenses" are as follows:

Nature of compensation	2019	2018
	\$	\$
Short-term employee benefits	642,107	512,841
Performance benefits	175,968	-
Other short-term benefits	-	-
Post-employment benefits	52,648	37,829
Termination benefits	-	-
Share-based payments	170,021	356,915
Consulting fees	-	-
Total compensation	1,040,744	907,585

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24 Related parties (continued)**Key Management Personnel transactions**

Directors of the Company control 7.34% of the voting shares of the Company. A company associated with a director has 7.7% share in the Company at balance date.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transaction related to key management personnel and entities over which they have control or influence were as follows:

	Consolidated	
	2019	2018
	\$	\$
Product development and software engineering services	-	649,881

An independent review was conducted during the period and it was concluded that the contract terms were fair and reasonable in scope and were based on market rates for these types of services.

Other Key Management Personnel transactions with the Group

No Key Management Personnel member has entered into a material contract with the Group during either the 2019 or 2018 financial years and there were no material contracts with, amounts receivable from or payable to, interests involving directors or executives at period end. The value of transactions during the year with entities related to Directors included in the financial statements was \$nil (2018: \$649,881).

Outstanding balances with other related parties.

There are no outstanding balances at the reporting date in relation to transactions with related parties other than KMPs:

No provision for doubtful debts has been raised against amounts receivable from other related parties.

Loans and other transactions with Key Management Personnel

There were no loans made to Directors or Executives or other loan movements during the 2019 year.

Other related party transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2019 or 2018 financial years.

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25 Share Based payments

On 1 July 2017 3,000,000 performance rights were issued to key management personnel at an issue price of \$0.22 per share. Of the 3,000,000 issued in FY18, 1,000,000 were exercised in FY18. 2,000,000 performance rights were forfeited upon the resignation of the employee.

On 3 October 2017, 14,377,766 options were issued to the CEO at an issue price of \$0.03 per share and a total transactional value of \$167,525 which vest over 2 – 3 years.

On 30 October 2017 shareholder approval was given to the issue of 6,800,000 options to the Chairman at the time, Mr B Higgins, these were forfeited in FY2018, and 3,400,000 each to Mr J Harcourt and Mr M Simari. These options were issued with an exercise price of \$0.04, and a total transaction value of \$257,636 as identified in the remuneration report in the Directors Report.

On 8 October 2018 6,800,000 options were issued to Chair Ms S MacLeman. The terms and conditions were the same as those of the 2017 invitation to issue options set out in the notice of the annual general meeting.

On 8 October 2018 6,800,000 options were issued to Avenue Advisory Pty Ltd. In July 2018 Avenue Advisory Pty Ltd was engaged to provide corporate advisory services for investor relations and enhancement of the company's access to the capital markets. A retainer was paid to issue them with 6,800,000 options on the same terms as those issued to the directors at the October 2017 AGM.

A performance right and share option plan has been established by the consolidated entity and approved by shareholders at the 2017 Annual General Meeting, whereby the consolidated entity may, at the discretion of the Board, performance rights and grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The performance rights and options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of Performance Rights and options granted under the plan:

2019

Grant Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired/forfeited other	At the end of the year
01/07/2017	\$0.022	2,000,000	-	-	(2,000,000)	-
03/10/2017	\$0.030	14,377,766	-	-	-	14,377,766
21/11/2017	\$0.030	6,800,000	-	-	-	6,800,000
08/10/2018	\$0.030	-	6,800,000	-	-	6,800,000
08/10/2018	\$0.030	-	6,800,000	-	-	6,800,000
		<u>23,177,766</u>	<u>13,600,000</u>	<u>-</u>	<u>(2,000,000)</u>	<u>34,777,766</u>
Weighted average exercise price		\$0.029	\$0.030	-	\$0.022	\$0.030

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25 Share Based payments (continued)

2018

Grant Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired/forfeited other	At the end of the year
01/07/2017	\$0.022	3,000,000	-	1,000,000	-	2,000,000
03/10/2017	\$0.030	-	14,377,766	-	-	14,377,766
21/11/2017	\$0.030	-	13,600,000	-	(6,800,000)	6,800,000
		3,000,000	27,977,766	1,000,000	(6,800,000)	23,177,766
Weighted average exercise price		\$0.022	\$0.030	\$0.022	\$0.030	\$0.029

The weighted average remaining contractual life of performance rights and options outstanding at the end of the financial year was 3.25 years (2018: 2.5 years)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follow:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility
08/10/2018	21/11/2022	\$0.032	\$0.030	55%

Novita Healthcare Long Term Incentive Plan

The purpose of the Novita Healthcare Long Term Incentive Plan (LTI) is to provide long term rewards that are linked to shareholder returns. Under the LTIP, selected executives may be offered a number of performance rights (Right) and share options. Each Right provides the entitlement to acquire one Novita share at nil cost to the satisfaction of performance hurdles.

The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured by an independent third party at grant date and recognised over the three-year vesting period during which the employees become unconditionally entitled to the performance rights.

26 Contingent liabilities

The Group is not aware of any contingent liabilities or contingent assets capable of having a material impact on the Group.

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27 Employee benefits

Aggregate liability for employee benefits, including on-costs:

	Consolidated	
	2019	2018
	\$	\$
Current – Employee benefits provision	156,605	104,385
Non-current – Employee benefits provision	9,527	2,353
Total employee benefits	166,132	106,938

At-risk incentive performance payments

Compensation for all employees other than non-executive directors includes an at-risk performance component. Provision has been made at reporting date for the amount payable in respect of performance for the financial year as measured against agreed criteria set on an employee by employee basis.

A reconciliation of movement for the year for all employee provisions is provided in the following table.

	Annual Leave \$	Long service leave \$	Performance incentive \$	Total \$
Balance at the beginning of the year	79,875	27,063	-	106,938
Provision utilised	(78,859)	-	-	(78,859)
Charges raised	110,578	27,475	-	138,053
Balance at the end of the year	111,594	54,538	-	166,132

Employee entitlements not expected to be settled within twelve months of reporting date:

	2019	2018
Employee Entitlements	54,540	27,060

28 Events subsequent to balance date

On 7 August 2019, the Group announced a 5 for 11 pro-rata non-renounceable entitlement offer of fully paid ordinary shares to raise approximately \$2 million to fund the Groups' TALI Detect and TALI Train business model including associated capital expenditure, operating costs and working capital.

On 27 August 2019 the Company announced the take-up of Rights Issue entitlements lodged by eligible shareholders pursuant to the Entitlement Offer. On 28 August 2019 the Company received \$0.5 million and issued 48.6 million shares at \$0.01 per share.

On 30 August 2019 the Company announced the placement of the shortfall to the entitlement offer to raise a total of \$1.4 million (before costs). This equity raising was structured in two Tranches where Tranche 1 was the issue of 46.0 million shares on 5 September 2019 at \$0.01 per share under the Company's existing placement capacity and the Company received \$0.5 million (before costs). Tranche 2 was an issue of 91.0 million shares on 13 September 2019 at \$0.01 and the company received \$0.9 million (before costs). Tranche 3 was an issue of 14.0 million shares on 19 September 2019 at \$0.01 and the company received \$0.1 million (before costs).

In the interval between the end of the financial year and the date of this report no other item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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29 Dividends

No dividends were paid or proposed in the current or prior financial years.

30 Segment reporting**Information about reportable segments**

The Group comprises the following three distinct business segments:

- 1) Research and Development – the operation of conducting health and medical research and development for commercialisation.
- 2) Healthcare/Workforce Management – developing and providing recruitment solutions in aged and community care (Business discontinued).
- 3) Investments – investing of excess funds in approved instruments including Australian equities.

2019	Research & Development	Healthcare/Workforce Management	Investments	Total
	2019	2019	2019	2019
	\$	\$	\$	\$
External revenues	913,867	71,540	-	985,407
Interest revenue	27,928	-	-	27,928
Finance expense	-	-	-	-
Depreciation and amortisation and loss on disposal	474,716	4,846	-	479,562
Reportable segment profit / (loss) before tax	(3,246,412)	304,394	(2,425)	(2,944,443)
Reportable segment total assets	4,353,756	-	801,350	5,155,106
Reportable segment total liabilities	2,888,012	-	-	2,888,012

The aggregate of the assets, liabilities and profits for each segment in the Group Total

2018	Research & Development	Healthcare/Workforce Management	Investments	Total
	2018	2018	2018	2018
	\$	\$	\$	\$
External revenues	490,781	66,550	-	557,331
Interest revenue	34,530	3	-	34,533
Finance expense	-	-	-	-
Depreciation and amortisation and loss on disposal	229,101	18,202	-	247,303
Reportable segment profit / (loss) before tax	(4,177,772)	(72,951)	57,525	(4,193,198)
Reportable segment total assets	3,895,237	-	24,576	3,919,813
Reportable segment total liabilities	1,202,858	56,029	-	1,258,887

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30 Segment reporting (continued)**Reconciliations of information on reportable segments to IFRS measure**

	2019	2018
	\$	\$
Revenues		
Total revenue for reportable segments	985,407	557,331
Revenue for other segments	-	-
Consolidated revenue	985,407	557,331
Profit before Tax		
Total profit before tax for reportable segments	(2,944,443)	(4,193,198)
Profit before tax for other segments	-	-
Consolidated profit before tax from continuing operations	(2,944,443)	(4,193,198)
Assets		
Total assets for reportable segments	5,155,107	3,919,813
Assets for other segments	-	-
Equity accounted investees	-	-
Other unallocated amounts	-	-
Consolidated total assets	5,155,107	3,919,813
Liabilities		
Total liabilities for reportable segments	2,888,012	1,258,887
Liabilities for other segments	-	-
Other unallocated amounts	-	-
Consolidated total liabilities	2,888,012	1,258,887

31 Group entities

Significant subsidiaries for the year ended:

	Country of Incorporation	Ownership interest %	
		2019	2018
AVI Capital Pty Ltd	Australia	100	100
TALI Health Pty Ltd	Australia	100	100
158 797 936 Pty Ltd	Australia	100	100

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32 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was Novita Healthcare Limited.

	2019 \$	2018 \$
Results of parent entity		
Profit/(Loss) for the period	(4,093,183)	(3,445,914)
Other comprehensive income	-	-
Total comprehensive income for the period	(4,093,183)	(3,445,914)
Financial position of parent entity at year end		
Current assets	2,093,603	3,427,992
Total assets	4,143,974	4,180,099
Current liabilities	1,461,637	517,832
Total liabilities	2,177,488	938,719
Total equity of the parent entity:		
Share capital	194,976,507	192,411,954
Retained earnings	(193,093,907)	(189,170,574)
Total equity	1,966,486	3,241,380

33 Discontinued Operations

On 21 July 2017, the group acquired 100% of the equity instruments of Newly Pty Ltd, an Australian company involved in development of healthcare technology. No cash consideration was paid.

The final consideration paid for Newly comprised:

- An upfront purchase consideration of \$920,673 (being agreed purchase prices less settlement adjustments) in fully paid ordinary shares in Novita at an issue price of \$0.03.

The related impairment loss of \$923,202 in 2018 was included within impairment of non-financial assets

On 18 October 2018 Newly Pty Ltd, (subsequently renamed ACN 158 797 936 Pty Ltd) a fully owned subsidiary of Novita Healthcare, sold its entire business as a going concern. In consideration for the sale the consolidated entity received 600 fully paid shares at \$1,000 per share amounting to \$600,000 in Healthcarelink Group Pty Ltd, plus the right to earn out shares.

Financial Performance Information

	30 June 2019 \$	30 June 2018 \$
Sales Revenue	71,540	66,550
Total Revenue	71,540	66,550
Personnel Expenses	(235,546)	(643,761)
Other Expenses	(106,853)	(572,895)
Total Expenses	(342,399)	(1,216,656)
Loss before income tax expense	(270,859)	(1,150,106)
Income tax expense	-	-
Loss after income tax expense	(270,859)	(1,150,106)
Gain on disposal after income tax expense	575,253	-
Profit/(loss) on disposal after Income tax from discontinued operations	304,394	(1,150,106)

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33 Discontinued Operations (continued)**Newly Cash Flow 12 months ending 30 June 2019**

	\$
Net Cash used in operating activities	(330,132)
Net cash flows used in discontinued operations	(330,132)

Newly net assets disposed of as at sale date

	\$
Database	-
Total net assets	-

Details of disposal as at sale date

	\$
Total sale consideration	600,000
Total value of net assets disposed	-
Less disposal costs	(24,747)
Gain on disposal before income tax	575,253
Income tax	-
Gain on disposal after income tax	575,253

34 Deferred Income

	2019	2018
	\$	\$
R&D Incentive		
Current	187,659	72,789
Non-Current	1,210,663	418,534
Total Deferred Income	1,398,322	491,323

Due to the deferral of the TALI Train, Detect and Maintain Development Cost Intangible Assets amortisation as indicated in Note 13, the related deferred R&D grant income and CRC-P grant revenue has been brought into account over the amortisation period. This has resulted in \$354,156 of R&D grant income and \$319,193 in CRC-P grant income being recognised in the Profit or Loss for the year ended 30 June 2019. \$882,735 (2018: \$491,323) of R&D grant income relating to future periods and \$515,578 (2018: nil) in Grant revenue has been classified as Deferred Income.

35 Finance income and finance costs

	Consolidated	
	2019	2018
	\$	\$
Recognised in profit or loss		
Interest income on cash and cash equivalents	27,886	34,516
Net gain on disposal of available -for-sale financial assets transferred from equity	2,137	45,279
Finance income	30,023	79,795
Net change in fair value of financial assets at fair value through profit or loss:		
Available for sale	(2,607)	11,833
Unwinding on lease liability	(13,860)	-
Interest charge on loan	(11,943)	-
Finance income (costs)	(28,410)	11,833
Net finance income/(costs) recognised in profit or loss	1,613	91,628

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- 1 In the opinion of the directors of Novita Healthcare Limited ('the Company'):
- (a) the consolidated financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 8 to 49, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
 - (c) there are reasonable grounds to believe that the Company and the group entities will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and Financial Controller for the financial year ended 30 June 2019.

Dated at Melbourne this 20^h day of September, 2019.

This report is made with a resolution of the directors.



Sue MacLeman
Chair

INDEPENDENT AUDITOR'S REPORT To the Members of Novita Healthcare Limited

Opinion

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

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
<p>Fair value of equity instrument Refer to Note 11 in the financial statements</p>	
<p>The Group has investments in equity instruments of \$800,000 related to an investment in the HealthcareLink Group.</p> <p>In October 2018, Novita sold the assets in Newly to HealthcareLink. In consideration for the sale, Novita received 600 ordinary shares in HealthcareLink Group Pty Ltd valued at \$1,000 per share. An additional \$400,000 was also invested in HealthcareLink as part of an equity fundraising round. The total shareholding of HealthcareLink Group by Novita at 30 June 2019 was 10%.</p> <p>Under <i>AASB9 Financial Instruments</i>, equity investments of this nature are required to be held at fair value. As the shares in HealthcareLink are not traded, there is a risk surrounding the significant judgement and estimation involved in determining the fair value of the shares held.</p>	<p>Our audit procedures in relation to the fair value of the equity instruments included:</p> <ul style="list-style-type: none"> • Obtained management's discounted cash flow used in preparing an estimate of the value in use; • Reviewed calculations for accuracy and assessed key inputs for reasonableness; • Reviewed HealthcareLink's cash flow projections against available data; • Assessed the integrity of the budgeting process through comparing year to date performance against forecast; and • Performed relevant sensitivity analysis on key inputs.

Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
<p>Impairment of Intangible Assets Refer to Note 13 in the financial statements</p>	
<p>The Group has intangible assets excluding goodwill, with a written down value of \$2,575,900.</p> <p>The first of these intangibles arose from the identifiable intangible assets acquired from the purchase of Tali Health Pty Ltd on 15 February 2016. The intangible asset consists of a Health licence and intellectual property relating to the TALI technology.</p> <p>The other intangible asset consists of capitalised development costs related to the 'TALI Train' product which Novita Healthcare had developed over the course of FY18. In FY19, development costs had been capitalised in relation to the 'TALI Detect' and 'TALI Maintain' products to the sum of \$1,067,128.</p> <p>We identified this area as a significant risk due to the size of the intangible assets balances and the management judgement required to assess whether any indicators of impairment exist. Impairment indicators considered included:</p> <ul style="list-style-type: none"> • Any significant decline in market value; • Adverse changes in technology or market conditions; • Review of internal reporting assessing likely revenue to be generated; and • Comparison of the book value of the Group's net assets to the ASX market capitalisation for the Group. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessed management's review for any indicators of impairment and their determination that no indicators of impairment exist in line with <i>AASB 136 Impairment of assets</i>; • Discussed & challenged management in regard to the future economic benefit of the identified intangible assets including management's assessment of potential earnings under the new contractual arrangement with the Department of Education; and • Recalculated the market capitalisation at balance date and compared it to the book value of the Group's net assets.
<p>Going concern Refer to Note 2(b) in the financial statements</p>	
<p>We identified going concern as a Key Audit Matter due to the Group's operating loss for the year ended 30 June 2019, and the capabilities of the Group to cover the operating costs over the next 12 months.</p> <p>For the year ended 30 June 2019, management performed an assessment of the Group's ability to continue as a going concern which included preparation of cash flow projections up to 30 September 2020 for the Group.</p> <p>Subsequent to year-end, the Group obtained additional funding in the form of a \$2 million capital raising to cover operating costs over the next 12 months. This amount was incorporated into the forecast prepared.</p>	<p>Our audit procedures in relation to going concern included:</p> <ul style="list-style-type: none"> • We reviewed the current financial position of the Group and assessed a number of key ratios; • We sighted bank statements from August and September 2019 showing the receipt of \$2 million in additional capital; and • We reviewed management's forecast for the 12 months from the date of signing the financial statements, including assessing the relevance and sensitivity of assumptions used.

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 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

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

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

Responsibilities

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



RSM AUSTRALIA PARTNERS



M PARAMESWARAN

Partner

Dated: 20 September 2019
Melbourne, Victoria