

Nexdius Limited

ABN: 95 165 149 968

Financial Statements

For the Year Ended 30 June 2018

Nexdius Limited

ABN: 95 165 149 968

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For the Year Ended 30 June 2018

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Nexdius Limited

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Directors' Report

30 June 2018

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2018.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Kristina K W Arnott

Experience

Kristina has been a practicing lawyer for over 20 years with experience advising FMCGs, and their Boards, on a broad range of issues including: litigation; regulation; governance; corporate law; and contracts. Her most recent role was as Area General Counsel for British American Tobacco. In this role, she had responsibility for all legal, security and illicit trade issues in Australia, New Zealand and the South Pacific. This included intellectual property litigation, regulatory issues in multiple jurisdictions, chairing and participating in committees and advising the Board.

Mathew G H Collett

Experience

Mathew has over 25 years' experience across Business Management, Banking, Corporate Advisory, FMCG and Marketing. Mathew has had extensive experience building several successful start-ups including Cocoon Data (Covata), a data security software company now listed on the ASX (CVT), where he was responsible for the overall development and expansion of the technology across Australia & Nth America. He started and managed his own corporate advisory firm, plus he owned and managed a manufacturing & distribution FMCG company, Lime Grove. Lime Grove was the oldest and largest lime (fruit) provider in Australia which sold over 75% of Lime Grove produce to Woolworth's. Mathew continues to hold key relationships with Woolworths, Thomas Dux and independent stores across Australia. Mathew was a former Director at JBWere (now Goldman Sachs) and Managing Director of ICAP Futures Australia and Tullett Prebon Australia.

Titus E Day

Experience

A veteran in the entertainment industry with over 24 years' experience, Titus has successfully founded businesses and managed leading companies such as IMG, LA based Atlantic Talent Management and media management company 22 Management. Titus has represented some of the world's best known names including, Jamie Oliver, Jennifer Hawkins and Guy Sebastian. He has negotiated some of Australia's biggest media deals including the Beaconsfield Miners Channel Nine deal. In July 2009, Titus formed his own management company, 6 Degrees Management offering exclusive services to clients in the fields of television, production, radio, print media, music, sports, licensing, publishing and crisis management.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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Directors' Report

30 June 2018

Company secretary

The details of each person who has been a secretary during the year and to the date of this report are

Winton W Willesee

Erlyn S Dale

Both Erlyn and Winton are experienced company secretaries with a broad range of experience in the efficient administration of companies and corporate governance, having been involved with several listed and unlisted public and other companies.

Principal activities

The principal activities of the Group during the financial year was manufacture and wholesale distribution of vitamin D promoting sunscreen products.

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

Operating results

The consolidated loss of the Group amounted to \$ 2,625,558 (2017: \$2,076,478).

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Events after the reporting date

On 21 November 2018, having received valid applications and application monies pursuant to the Offer Document dated 9 November 2018 and having exceeded the minimum subscription under the Offer, the Company issued and allotted 6,449,333 Ordinary Fully Paid Shares (and 4,474,667 options of varying classes with exercise prices of between \$0.15 and \$0.25 and all with expiry dates of 21 November 2020) at an issue price of \$0.12 per share to raise \$773,920 before costs.

Recently, the Group was the recipient of two statement of claims and one winding up notice from three creditors in respect of the payment of funds for goods and/or services rendered. The Group has since agreed mutually acceptable terms to settle with these parties.

At 30 June 2018, the Group had a balance of \$1,718,627 payable in relation to trade payables and a Net current liability position of \$1,578,406. Payment plans were agreed with key creditors after year end (refer Note 20) and the Group is therefore confident it will be able to meet these liabilities as they fall due. As at the date of signing the balance of trade payables had been reduced from \$1,718,627 to \$1,166,762. Of this balance a further \$165,980 has been agreed with various creditors to be equity settled.

The Company has recently been named as the third defendant in proceedings commenced in the Federal Court of Australia. The Proceedings are principally against one of the Company's directors, Titus Day, for matters unrelated to the Company's day to day business operations. The proceedings stem from a contractual dispute between Mr Day and a third party, with a claim principally being made by the third party against Mr Day and his shareholding in the Company and an alternate claim against the Company if the former claim is unsuccessful. The Company is confident that it can defend the action against it and a Defence and Cross Claim is in the process of being prepared and finalised for filing in the Federal Court. Mr Day has agreed to personally directly pay all legal costs associated with defending these proceedings.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect 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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Directors' Report

30 June 2018

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental matters

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Meetings of directors

During the financial year, 19 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Kristina K W Arnott	19	19
Mathew G H Collett	19	18
Titus E Day	19	18

Indemnification and insurance of officers and auditors

During the financial year the Group paid a premium of \$5,084 (2017: \$527) to insure the directors, secretaries and management of the consolidate Group.

Limited indemnities have been given for officers and directors of Nexdius Limited. No indemnities have been given during or since the end of the financial year for auditors of Nexdius Limited.

Proceedings on behalf of company

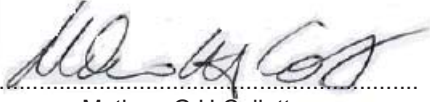
No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: 
Kristina K W Arnott

Director: 
Mathew G H Collett

Dated: 28 November 2018

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Nexdius Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



SCOTT TOBUTT
PARTNER

28 NOVEMBER 2018
SYDNEY, NSW

Nexdius Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

		2018	2017
	Note	\$	\$
Revenue	4	338,626	211,488
Other income	4	40,602	65,781
Raw materials and consumables used		(144,927)	(364,268)
Employee benefits expense		(184,912)	(6,841)
Depreciation and amortisation expense		-	(60,537)
Manufacturing costs		(3,348)	(27,092)
Accountancy expenses		(113,925)	(70,104)
Advertising expenses		(1,202,805)	(292,330)
Consultancy expense		(1,070,581)	(1,327,497)
Research expense		(1,149)	(50,380)
Other expenses		(253,586)	(137,290)
Finance costs		(29,553)	(17,408)
Loss before income tax		(2,625,558)	(2,076,478)
Income tax expense		-	-
Loss for the year		(2,625,558)	(2,076,478)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(2,625,558)	(2,076,478)

The accompanying notes form part of these financial statements.

Nexdius Limited

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Consolidated Statement of Financial Position As At 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	12,490	817,334
Trade and other receivables	6	57,955	129,534
Inventories	7	99,269	-
TOTAL CURRENT ASSETS		169,714	946,868
TOTAL ASSETS		169,714	946,868
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	1,731,277	630,743
Borrowings	10	5,213	2,836
Employee benefits	11	11,630	-
TOTAL CURRENT LIABILITIES		1,748,120	633,579
Trade and other payables	9	73,920	-
TOTAL NON-CURRENT LIABILITIES		73,920	-
TOTAL LIABILITIES		1,822,040	633,579
NET ASSETS		(1,652,326)	313,289
EQUITY			
Issued capital	12	6,109,826	5,449,883
Accumulated losses		(7,762,152)	(5,136,594)
TOTAL EQUITY		(1,652,326)	313,289

The accompanying notes form part of these financial statements.

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

	Ordinary Shares	Accumulated losses	Total
Note	\$	\$	\$
Balance at 1 July 2017	5,449,883	(5,136,594)	313,289
Loss attributable to members of the parent entity	-	(2,625,558)	(2,625,558)
Shares issued during the year	12(a) 659,943	-	659,943
Balance at 30 June 2018	6,109,826	(7,762,152)	(1,652,326)

	Ordinary Shares	Accumulated losses	Total
Note	\$	\$	\$
Balance at 1 July 2016	2,206,070	(3,060,116)	(854,046)
Loss attributable to members of the parent entity	-	(2,076,478)	(2,076,478)
Shares issued during the year	12(a) 3,243,813	-	3,243,813
Balance at 30 June 2017	5,449,883	(5,136,594)	313,289

The accompanying notes form part of these financial statements.

Nexdius Limited

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Consolidated Statement of Cash Flows For the Year Ended 30 June 2018

	2018	2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	451,241	114,723
Payments to suppliers and employees	(2,003,374)	(2,622,831)
Interest received	150	10
Grants received	40,452	65,771
Finance costs	(29,553)	(17,408)
Net cash (used in) operating activities	21 (1,541,084)	(2,459,735)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangibles	-	(60,537)
Net cash used by investing activities	-	(60,537)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds/ (repayment) from borrowings	76,297	2,836
Proceeds from issue of shares	659,943	3,243,813
Net cash provided by financing activities	736,240	3,246,649
Net increase/ (decrease) in cash and cash equivalents held	(804,844)	726,377
Cash and cash equivalents at beginning of year	817,334	90,957
Cash and cash equivalents at end of financial year	5 12,490	817,334

The accompanying notes form part of these financial statements.

Nexdius Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2018

The financial report covers Nexdius Limited and its controlled entities ('the Group'). Nexdius Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 28 November 2018.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

2 Summary of Significant Accounting Policies

(a) Going concern

Notwithstanding the Group's deficiency in net assets, significant operating loss and cash operating outflows, the Director's believe the going concern basis of preparation remains appropriate and have prepared the financial statements on this basis. The Group's ability to continue its normal operations into the foreseeable future is dependent on:

- Forecasted revenue targets and cash flow generation being achieved – major supply agreements have already been secured, with additional potential partners and distribution markets progressing;
- Adherence to agreed payment plans in place with creditors. At 30 June 2018, the Group has a balance of \$1,718,627 payable in relation to trade payables and a Net current liability position of \$1,578,406. Payment plans have been agreed with key creditors after year end (refer Note 20) and the Group is therefore confident it will be able to meet these liabilities as they fall due. As at the date of signing the balance of trade payables had been reduced from \$1,718,627 to \$1,166,762. Of this balance a further \$165,980 has been agreed with various creditors to be equity settled;
- The successful raising of additional funds and capital as and when it is required – the Group has successfully raised capital and funds during this and previous periods and has raised \$770k of additional share capital after year end. The Group is therefore confident it has the continued support from shareholders and related parties; and
- Continued success in receiving R&D tax incentives and other grants.

If the Group is not successful in the achieving the above the going concern basis may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business, with amounts realised being different from those disclosed in the financial report. No allowance for such circumstance has been made in the financial report.

Nexdius Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(b) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 18 to the financial statements.

(c) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

All revenue is stated net of the amount of goods and services tax (GST).

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Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Goods and services tax (GST)

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 Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(h) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(j) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

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Notes to the Financial Statements For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(j) Financial instruments

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(j) Financial instruments

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Impairment of assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(l) Intangible Assets

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(m) Adoption of new and revised accounting standards

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards.

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Notes to the Financial Statements For the Year Ended 30 June 2018

3 Critical Accounting Estimates and Judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - Impairment of Intangible assets

The recoverable amount of intangible assets was assessed by reference to the intangibles value-in-use. Value-in-use is calculated based on the unexpired term of the license.

Management believes that any reasonable possible change in key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount of intangible assets to exceed its recoverable amount.

An impairment loss of \$Nil (2017: \$52,695) has been recognised in respect of intangible assets at the end of the reporting period.

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Notes to the Financial Statements For the Year Ended 30 June 2018

4 Revenue and Other Income

	2018	2017
	\$	\$
Revenue		
Sales revenue	<u>338,626</u>	211,488
Other Income		
Government grants	40,452	65,771
Interest received	150	10
	<u>40,602</u>	<u>65,781</u>

5 Cash and cash equivalents

Cash at bank	<u>12,490</u>	817,334
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6 Trade and other receivables

Trade receivables	31,831	11,093
GST receivable	26,124	118,441
	<u>57,955</u>	<u>129,534</u>

7 Inventories

At cost:		
Finished goods	<u>99,269</u>	-

Write downs of inventories to net realisable value during the year were \$ NIL (2017: \$ 101,658).

8 Intangible Assets

Patents and royalties		
At cost	480,083	481,651
Accumulated amortisation	<u>(480,083)</u>	<u>(481,651)</u>
	<u>-</u>	<u>-</u>

9 Trade and Other Payables

CURRENT

Trade payables	1,718,627	580,843
Accrued expense	12,650	49,900
	<u>1,731,277</u>	<u>630,743</u>

NON CURRENT

Related party loan	<u>73,920</u>	-
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Notes to the Financial Statements For the Year Ended 30 June 2018

10 Borrowings

	2018	2017
	\$	\$
CURRENT		
Unsecured liabilities:		
Bank overdraft	5,213	2,836

11 Employee Benefits

Provision for employee benefits	11,630	-
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(a) Reconciliation

	Employee benefits
2018	\$
Opening balance	-
Additional provisions raised during the year	11,630
Amounts used	-
Closing balance	11,630

12 Issued Capital

85,650,944 (2017: 81,628,384) Ordinary shares	6,109,826	5,449,883
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(a) Ordinary shares

	No.	No.
At the beginning of the reporting period	81,628,384	57,101,935
Shares issued during the year	4,022,560	24,526,449
At the end of the reporting period	85,650,944	81,628,384

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

13 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

Short-term benefits	122,500	258,750
Long-term benefits	14,327	-
	136,827	258,750

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Notes to the Financial Statements

For the Year Ended 30 June 2018

14 Share option reserve

This share option reserve records the cumulative value share options issued by the Group. When the share options are exercised the amount in the share option reserve is transferred to share capital.

On 18 May 2017 the Group granted 750k share options with a maturity of 2 May 2021 at an exercise price of \$0.22.

On 12 February 2018 the Group granted a further 200k share options with a maturity of 1 March 2022 at an exercise price of \$0.25. At the reporting date no expense has been booked as all share options issued to date are deemed to be out of the money.

15 Related Parties

(a) Loans from related parties

Unsecured loans are made from related parties on an arm's length basis.

Loans are unsecured and repayable in cash.

	Opening balance	Closing balance
Loan from related parties		
2018	-	73,920
2017	349,151	-

No interest is paid on related party loans, which relate to amounts repayable to 6 Degrees Management Pty Ltd.

16 Financial Risk Management

The main risks Nexdius Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

(a) Summary Table

	2018	2017
	\$	\$
Financial Assets:		
Cash and cash equivalents	12,490	817,334
Receivables	57,955	129,534
Total Financial Assets	70,445	946,868
Financial Liabilities:		
Bank loans and overdrafts	5,213	2,836
Trade and other payables	1,816,827	630,743
Total Financial Liabilities	1,822,040	633,579

Nexdius Limited

ABN: 95 165 149 968

Notes to the Financial Statements For the Year Ended 30 June 2018

17 Parent entity

The following information has been extracted from the books and records of the parent, Nexdius Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Nexdius Limited has been prepared on the same basis as the consolidated financial statements as disclosed below.

	2018	2017
	\$	\$
Statement of Financial Position		
Assets		
Current assets	328,298	947,149
Total Assets	<u>328,298</u>	<u>947,149</u>
Liabilities		
Current liabilities	175,732	633,860
Total Liabilities	<u>175,732</u>	<u>633,860</u>
Equity		
Issued capital	6,109,826	5,449,883
Accumulated losses	(5,957,260)	(5,136,594)
Total Equity	<u>152,566</u>	<u>313,289</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	(820,666)	(2,076,478)
Total comprehensive loss	<u>(820,666)</u>	<u>(2,076,478)</u>

18 Interests in Subsidiaries

	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		2018	2017
Subsidiaries:			
Solar D Skincare Pty Ltd	Australia	<u>100</u>	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

19 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017: None).

20 Events Occurring After the Reporting Date

The financial report was authorised for issue on 28 November 2018 by the board of directors.

On 21 November 2018, having received valid applications and application monies pursuant to the Offer Document dated 9 November 2018 and having exceeded the minimum subscription under the Offer, the Company issued and allotted 6,449,333 Ordinary Fully Paid Shares (and 4,474,667 options of varying classes with exercise prices of between \$0.15 and \$0.25 and all with expiry dates of 21 November 2020) at an issue price of \$0.12 per Share to raise \$773,920 before costs.

Nexdius Limited

ABN: 95 165 149 968

Notes to the Financial Statements

For the Year Ended 30 June 2018

20 Events Occurring After the Reporting Date

Recently, the Group was the recipient of two statement of claims and one winding up notice from three creditors in respect of the payment of funds for goods and/or services rendered. The Group has since agreed mutually acceptable terms to settle with these parties.

At 30 June 2018, the Group had a balance of \$1,718,627 payable in relation to trade payables and a Net current liability position of \$1,578,406. Payment plans were agreed with key creditors after year end (refer Note 18) and the Group is therefore confident it will be able to meet these liabilities as they fall due. As at the date of signing the balance of trade payables had been reduced from \$1,718,627 to \$1,166,762. Of this balance a further \$165,980 has been agreed with various creditors to be equity settled.

The Company has recently been named as the third defendant in proceedings commenced in the Federal Court of Australia. The Proceedings are principally against one of the Company's directors, Titus Day, for matters unrelated to the Company's day to day business operations. The proceedings stem from a contractual dispute between Mr Day and a third party, with a claim principally being made by the third party against Mr Day and his shareholding in the Company and an alternate claim against the Company if the former claim is unsuccessful. The Company is confident that it can defend the action against it and a Defence and Cross Claim is in the process of being prepared and finalised for filing in the Federal Court. Mr Day has agreed to personally directly pay all legal costs associated with defending these proceedings.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

21 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2018	2017
	\$	\$
Net loss for the year	(2,625,558)	(2,076,478)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation	-	60,537
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	71,579	(87,968)
- (increase)/decrease in other assets	-	81,170
- (increase)/decrease in inventories	(99,269)	122,160
- increase/(decrease) in trade and other payables	1,100,534	(559,156)
- increase/(decrease) in employee benefits	11,630	-
Cashflows from operations	<u>(1,541,084)</u>	<u>(2,459,735)</u>

Nexdius Limited

ABN: 95 165 149 968

Notes to the Financial Statements For the Year Ended 30 June 2018

22 Company Details

The registered office of and principal place of business of the company is:

Nexdius Limited
255 Oxford Street
Paddington
NSW 2021

Nexdius Limited

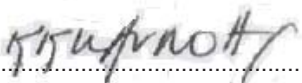
ABN: 95 165 149 968

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 20, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company and consolidated group.
2. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

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

Director

Kristina K W Arnott

Director

Mathew G H Collett

Dated: 28 November 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXDIUS LIMITED

Report on the Financial Report

Opinion

We have audited the financial report of Nexdius Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the 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 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements 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.

Emphasis of Matter - Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 2(a) in the financial report which indicates that the Group has incurred significant losses and operating cash outflows during the period. The Group's ability to continue as a going concern is contingent upon achieving successful capital and fund raisings and continued improvements in revenue growth and operational cash flows. These conditions indicate the existence of uncertainties which may cast doubt about the Group's ability to continue as a going concern.

Responsibilities of 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 - Reduced Disclosure Requirements 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.

Responsibilities of Directors for the Financial Report (cont'd)

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



PKF



SCOTT TOBUTT
PARTNER

28 NOVEMBER 2018
SYDNEY, NSW