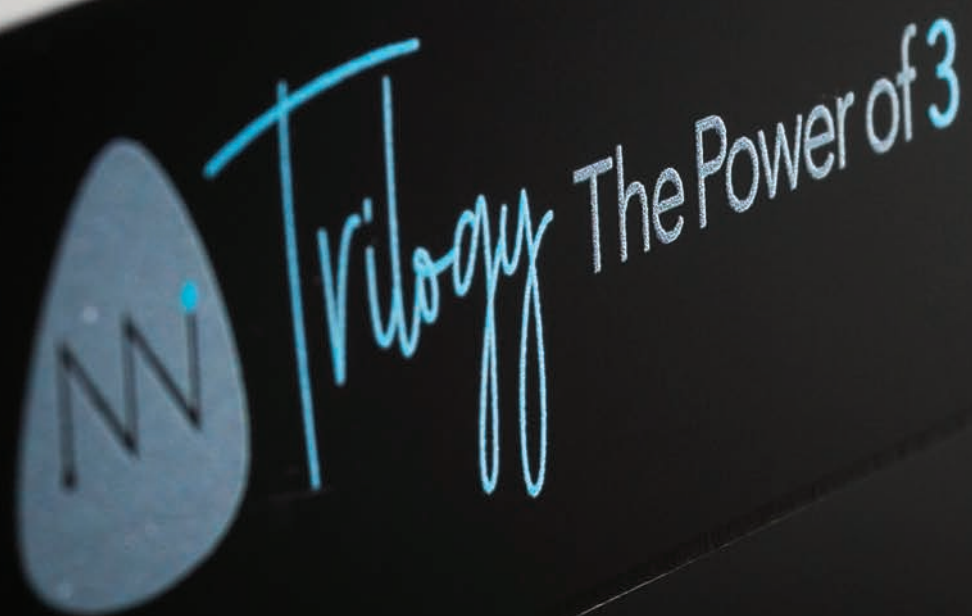


A photograph of a woman and a young child in a clinical or research setting. The woman, with red hair and glasses, is smiling and holding a black robotic arm. The child, with brown hair, is looking at the arm. Another woman with long dark hair is standing behind them, also smiling. The background is a plain, light-colored wall.

CONTROL
BIONICS

ANNUAL REPORT 2021

Control Bionics Limited
ABN 45 115 465 462



CORPORATE DIRECTORY

Directors

Mr Roger David Hawke
Mr Robert William Wong
Mr Peter Shann Ford
Mr Damian Lismore (Appointed 30 September 2020)
Mr Lindsay John Phillips
Mr William Bruce McMurray (Resigned 29 September 2020)

Company secretary

Mr Daniel Barrins (Resigned 30 September 2020)
Mr Brett Crowley (Appointed 22 September 2020)

Registered office

Suite G.03, 171 Union Road
Surrey Hills VIC 3127
Australia
Phone +61 3 9897 3576

Principal place of business

Suite G.03, 171 Union Road
Surrey Hills VIC 3127
Australia
Phone +61 3 9897 3576

Share register

Automatic Registry Services
Level 5 126 Phillip Street
SYDNEY NSW 2000
Phone +61 2 9698 5414

Auditor

BDO Audit Pty Ltd
Level 11, 1 Margaret St
Sydney NSW 2000
Australia

Stock exchange listing

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

Website

www.controlbionics.com

Corporate Governance Statement

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



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MESSAGE FROM THE CHAIRMAN & CEO

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

It is often said in settings such as this, the past financial year has been genuinely transformational for Control Bionics, with the Board making the decision to take the Company public on the ASX.

Following over a decade of research and development, Control Bionics' first NeuroNode product was sold in 2017 and the first NeuroNode Trilogy was sold in 2019.

It was clear, however, that the market for the NeuroNode range of products is vast and the opportunity before us to help thousands of potential users afflicted by serious medical conditions such as Motor Neurone Disease (MND) could be more aggressively and comprehensively pursued with external capital. Thus, Control Bionics raised \$15m via an oversubscribed and fully underwritten IPO which capitalised the Company at \$50m.

This capital investment in December 2020 has enabled us to accelerate our plans with confidence and properly configure Control Bionics to be a compelling, leading, global player in assistive technology markets over the coming years.

Since listing, we have maintained a strong growth trajectory and achieved important strategic objectives for the future, from establishing the appropriate infrastructure to support a global organisation and initiating international distribution partnerships, to growing our own sales teams and establishing priorities for our ongoing research and development (R&D) to support expanded applications of our core technology.

One of the highest priorities of our IPO was to use a portion of the capital to enhance our sales capability to permit more patients to benefit from the life-changing attributes of the NeuroNode product range.

Control Bionics has been able to increase its marketing and sales presence in Australia as well as in the USA, where we have a growing team and burgeoning market reputation for the high quality and effectiveness of our technology.

We have also been able to secure extended channels to market with distribution partners NuMotion in the USA and Bridges in Canada. NuMotion in particular, has made rapid progress and its sales force is already conducting field demonstrations of Control Bionics' products. We are optimistic that the benefits of this relationship will begin to emerge during FY22.

Elsewhere on an international front, restrictions imposed by COVID-19 have modestly delayed our entry into the Japanese market, however commercially the prize is large and very compelling for the medium/long term. We have already made solid progress there, establishing an on-the-ground presence and completing client in-market trials. We have also developed relationships with a significant potential distribution partner, signing a Letter of Intent as a prelude to signing a distributor/reseller agreement.

Japan is not our only regional ambition, and shortly after the end of the financial year the Group made its first commercial entry into an Asia-Pacific market, signing a distribution agreement in Singapore. We continue to explore other new market opportunities.

Research and development is a focus to extend our leadership in the assistive technology and related markets, but also to open new market opportunities. New NeuroNode features will be launched in FY22. Miniaturisation of our core NeuroNode technology is on track and extension products are progressing confidently.

Like all businesses, we commenced the year amidst the growing impact and threat of COVID-19, and the consequent challenges of managing culture, growth, costs, and cash across national and international borders. However, management reorganised the business as defensively as possible and were still able to generate consistent growth throughout the financial year.

Our FY21 revenue was \$3.97m, up 28% year on year, demonstrating the resilience of our business given the disruptive and challenging financial year that was 2021. We exited the year with accelerating momentum and heading into FY22 indications are positive. Net loss for the year of \$3.55m represents our continued investment in growing the Control Bionics business.

Our sales pipeline continues to improve as we come to grips operating with COVID-19 both in Australia and the USA.

Control Bionics is on a strong path to grow our market-leading, patented technology and systems globally as well as to further penetrate existing markets in Australia and the USA.

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

Finally, in closing and on behalf of the Board, we congratulate and thank all Control Bionics employees for their outstanding efforts and contributions this year.

Sincerely,

Roger Hawke
Chairman

Robert Wong
CEO





\$3.97M IN REVENUE FOR THE YEAR, UP 28%, DRIVEN BY INCREASED MARKET AWARENESS AND SALES DEVELOPMENT IN USA AND AUSTRALIA.

WORLD-CLASS NEURONODE TRILOGY PRODUCT LINE CONTINUES TO GAIN FOCUS FOR OUR GROWTH PLAN.

MOMENTUM OF INTERNATIONAL EXPANSION CONTINUES TO IMPROVE DESPITE COVID-19 DISRUPTIONS.

WE ARE EXCITED TO BE WORKING WITH NEW RESELLER PARTNERS IN THE USA, SINGAPORE AND JAPAN TO SUPPORT OUR GROWTH STRATEGY

A YEAR OF STRONG GROWTH



Early commercial stage Australian technology company leveraging world-class capabilities in sensing and monitoring systems in the assistive technology market



ASX IPO in December 2020 raising \$15m



FY21 Revenue \$3.97m up 28%



Our primary market is supplying communication systems for people with severe speech and movement difficulties



Global expansion strategy into disability markets, particularly North America, Australia and Japan



Apply our core technology to additional market applications as the Group grows



MISSION

TO BE THE **GLOBAL LEADER**
IN INNOVATIVE AUGMENTATIVE
COMMUNICATIONS AND
CONTROL DEVICES



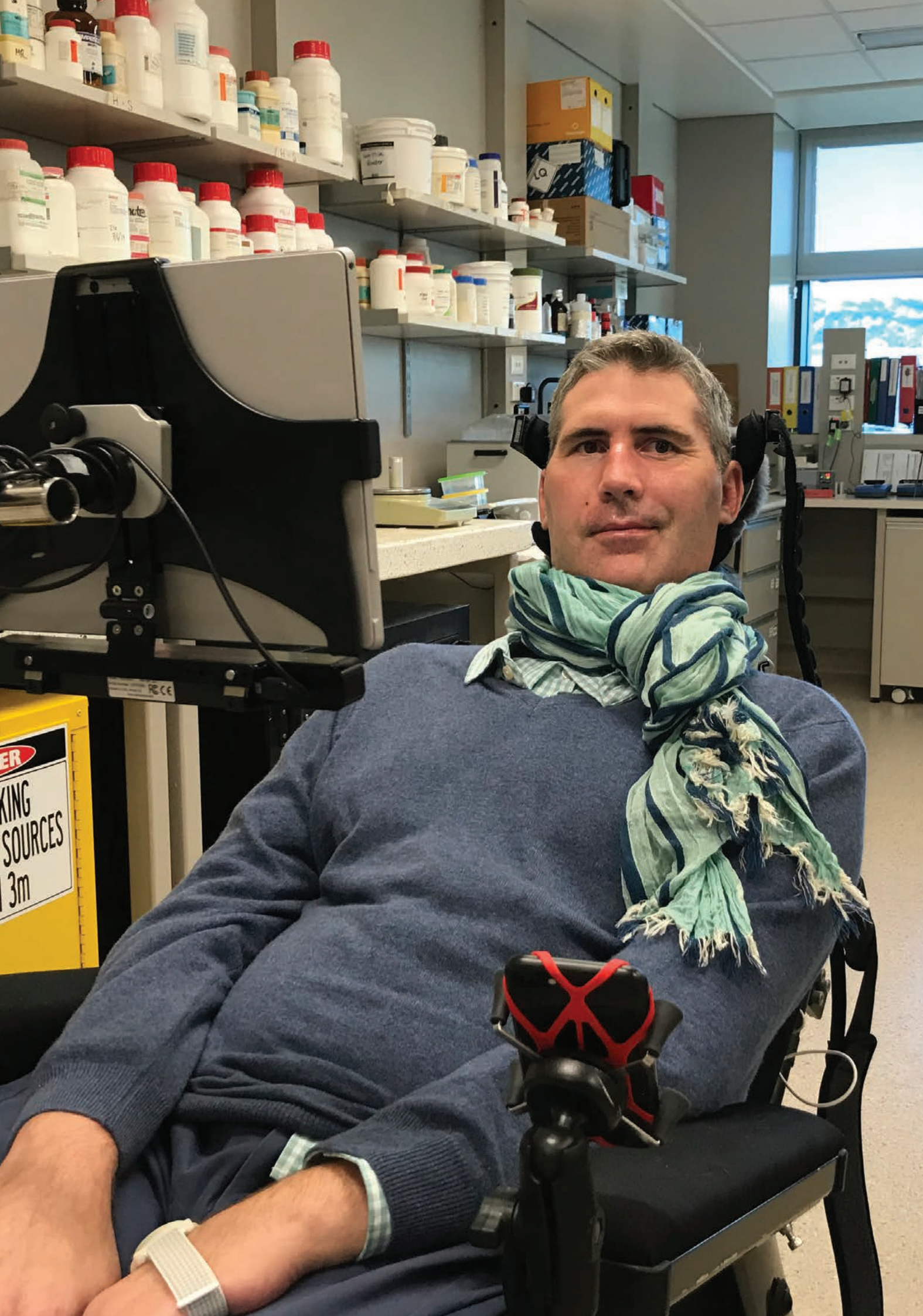
WORLD CLASS ASSISTIVE TECHNOLOGY

Control Bionics has patented world-class technology which allows people with speech and movement disabilities to communicate using our wireless wearable NeuroNode in combination with speech-generating software and eye-gaze technology.

Two primary systems

NeuroNode3 combines the NeuroNode wearable device with various operating systems and is suitable for users with severe impairment. The NeuroNode Trilogy system combines our NeuroNode with eye-gaze technology to create a communication system that allows users significantly faster speed and less fatigue than a traditional eye-gaze dwell system.





DIRECTORS' REPORT

Control Bionics Limited (formerly known as Control Bionics Holdings Pty Ltd)

30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Control Bionics') consisting of Control Bionics Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

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

Mr Roger David Hawke
Mr Robert William Wong
Mr Peter Shann Ford
Mr Damian Lismore (Appointed 30 September 2020)
Mr Lindsay John Phillips
Mr William Bruce McMurray (Resigned 29 September 2020)

Principal activities

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

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

On 14 September 2020, the Parent Entity changed its name from Control Bionics Holdings Pty Ltd to Control Bionics Limited, a Public Limited Company, in preparation for its Initial Public Offering ('IPO') and listing on the Australian Securities Exchange ('ASX'). In December 2020, the Company undertook an IPO on the ASX, resulting in gross cash proceeds of \$15,000,000 from the issue of 25 million ordinary shares at \$0.60 per share.

Dividends

No dividends were paid during the financial year.

DIRECTORS' REPORT

Review of operations

The 2021 financial year has been another year of significant advancements for the Group, including an increase in both revenue and in the number of customers using Control Bionics Trilogy product line.

For the financial year ended 30 June 2021, the Group reported revenue of \$3,972,119 (30 June 2020: \$3,099,092), and a net loss after tax of \$3,550,826 (30 June 2020: \$1,005,500 loss).

Key highlights include:

- Revenue Growth – Heightened market awareness and sales development in North America and Australia have seen increased access to patients enabling the Group to achieve 28% growth in revenue in financial year 2021.
- IPO – Control Bionics Limited successfully completed its IPO in December 2020. The funds raised by this offer provide the Group with working capital to execute its growth strategy in North America and Australia and prepare entry to other priority markets. Additionally, funds will be used to support the marketing for existing products and to fund continued development of the hardware and software for a range of new, advanced applications.
- Healthcare Quality Association on Accreditation (HQAA) – Control Bionics Inc (USA subsidiary) successfully completed its audit and renewed its accreditation to be able to continue to have insurance billing privileges until 2024.
- National Disability Certification of Registration – Control Bionics Australia Pty Limited (Australian subsidiary) successfully registered as a provider with the National Disability Insurance Scheme (NDIS) commission. This registration is valid until 2024.
- Reseller Agreement with Numotion – Control Bionics Inc (USA subsidiary) entered into a reseller agreement with Numotion, a leading provider of Complex Rehabilitation Technology (CRT) to offer the Control Bionics Trilogy product line. While Numotion has more than 150 US Locations, this partnership will be focused within the states of New Hampshire, Vermont and New York.
- Customer acquisition through digital marketing – In February, the Group launched an integrated growth marketing campaign in North America and Australia which has seen significant uplift in customers to be serviced by our clinical and biomedical trained sales staff.
- Investment in the business - The Group made strategic investments in sales, marketing and operational infrastructure as set out in the IPO Prospectus with some key new hires to strengthen the business to support further expansion in existing and new markets.
- Research and Development – The Group made significant in-roads to miniaturising the NeuroNode technology which assists with continued product leadership and provides a platform for new wearable market applications.
- Product Development – The Group has made investments in increasing our product leadership and increasing our range in augmentative and alternative communication (AAC) markets which will be introduced in financial year 2022.

As at 30 June 2021, the Group had \$12,331,109 of available cash. Total net cash used in operating activities for the year was \$3,990,634, with expanded operations including investment in key sales, marketing & operational infrastructure and people.

Customer cash receipts in the year were \$3,524,992, generated from direct and reseller sales activity. The Group continues to remain debt free.

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

Significant changes in the state of affairs

On 14 September 2020, the Parent Entity changed its name from Control Bionics Holdings Pty Ltd to Control Bionics Limited, a Public Limited Company, in preparation for its IPO and listing on the ASX. In December 2020, the Group undertook an IPO on the ASX, resulting in gross cash proceeds of \$15,000,000 from the issue of 25 million ordinary shares at \$0.60 per share. The funds will be used for ongoing sales expansion in Australia and North America, entering new markets such as Japan in the near future, and for our Research and Development plan.

Other than the developments reported elsewhere in this report, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2021.

Matters subsequent to the end of the financial year

- As announced on 28 July 2021, the Group entered into a reseller agreement in Singapore.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practical to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the governments in countries where the Group operates, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from those matters outlined above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

INFORMATION ON DIRECTORS

Name	Mr Roger David Hawke
Title	Non-Executive Director and Chairman
Qualifications	BEng, MES, MBA, MAICD
Experience and expertise	Roger has over 30 years of experience in the telecommunications and technology space, having retired after 8 years as CEO & Managing Director of Crown Castle Australia/Axicom, and brings a high level of experience particularly in Technology, Operations, Sales and Management.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interests in shares	758,478 ordinary shares
Interests in options	None
Contractual rights to shares	None

Name	Mr Robert William Wong
Title	Chief Executive Officer
Qualifications	BB (MK), MBA
Experience and expertise	Rob Wong is the Chief Executive Officer for Control Bionics. He holds a Bachelor of Business and an MBA from Melbourne University. Rob has over 25 years of experience with multinational businesses in senior management, marketing, and operational roles. He is also an entrepreneur and angel investor having been involved with several successful technology start-up businesses. He formerly held the position of CEO at AIMIA Digital Industry Association of Australia. Rob joined Control Bionics in early 2017 and he has led the way in developing the latest product, the NeuroNode Trilogy. Rob has spent much of his time with Control Bionics presenting to industry leaders, forming research and development relations, and working hands-on with clients across the world.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee
Interests in shares	2,540,616 ordinary shares
Interests in options	3,365,678 options (vested and exercisable)
Contractual rights to shares	None

Name	Mr Peter Shann Ford
Title	Founder & Executive Director
Qualifications	Graduate 1OTU Officer Training Unit, 2nd Lieutenant, Australian Army, with 3RAR
Experience and expertise	Peter is the Founder and Director of Innovation at Control Bionics Limited. He is a Graduate of 1OTU Officer Training Unit, and completed National Service as a 2nd Lieutenant in the Australian Army with 3RAR, before moving to the USA. After spending three years as a founding programmer at the US Veterans Administration Medical Center Rehabilitation R&D Laboratory in Atlanta – one of the first of its kind in the USA – while a news anchor at CNN and CNN2, Peter began consulting to therapists and disability clients in innovative Assistive Technology, including bionics and robotics. He was inspired by the potential to help free one of the world's great minds, Professor Stephen Hawking. In 2000, Peter identified that a patient's disabled muscles still emitted small electrical signals that could be used to reliably control basic computer functions. He wrote computer code to develop this, inventing and patenting NeuroSwitch and demonstrated it to Prof. Hawking in Cambridge. From 2002-2007 he Beta-tested evolving prototypes of his coding with Prof. Hawking at Texas A&M University and Cambridge University, and with doctors and their patients and clients in the USA, Australia and New Zealand. In 2005, with an initial investment from Phoenix Development Fund in Australia, Control Bionics was born.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee
Interests in shares	21,258,313 ordinary shares
Interests in options	3,567,860 options (vested and exercisable)
Contractual rights to shares	None

INFORMATION ON DIRECTORS

Name	Mr Damian Lismore (Appointed 30 September 2020)
Title	Non-Executive Director
Qualifications	BA (Hons), GAICD, CAANZ, FCA (Ireland)
Experience and expertise	Damian has held a number of directorships and has extensive commercial, international and listed company experience (both ASX and NASDAQ), covering many industries including healthcare and technology. In his executive career, he held CEO, CFO and Company Secretarial roles and continues to act as an advisor to CEOs, boards and business owners. Damian is currently CFO of Scout Bio Inc, a Frazier Healthcare Partners backed company.
Other current directorships	Non-Executive Director of LBT Innovations Limited (ASX:LBT).
Former directorships (last 3 years)	None
Special responsibilities	Chairman of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interests in shares	55,000 ordinary shares
Interests in options	None
Contractual rights to shares	None

Name	Mr Lindsay John Phillips
Title	Non-Executive Director
Qualifications	B.Com, CAANZ
Experience and expertise	As a highly experienced private equity fund Managing Director and Chairman, Lindsay is a key member of the Control Bionics' leadership team. Lindsay first invested in Control Bionics in 2005. Lindsay was Managing Director of Lazard Australia Private Equity from 2007 to 2012. Since 2012 Lindsay has been Chairman of Phoenix Development Fund and Nightingale Partners. He holds a Bachelor of Commerce from the University of Western Australia and is a member of the Institute of Chartered Accountants of Australia.
Other current directorships	Enprise Group Limited (NZX – ENS) Mayfield Group Holdings Limited (ASX – MYG)
Former directorships (last 3 years)	Chess Industries Limited until January 2021
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interests in shares	17,195,676 ordinary shares
Interests in options	None
Contractual rights to shares	None

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

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

Other changes during the year

Mr William Bruce McMurray was a Non-Executive Director throughout the year until his resignation on 29 September 2020.

Company secretary

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

Prior to Brett's commencement as Company Secretary, Mr Daniel Barrins held the role from 22 December 2016 to 30 September 2020.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Nomination & Remuneration Committee		Audit & Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Roger David Hawke	13	13	-	-	2	2
Mr Robert William Wong	13	13	-	-	2	2
Mr Peter Shann Ford	12	13	-	-	2	2
Mr Damian Lismore (Appointed 30 September 2020)	9	10	-	-	2	2
Mr Lindsay John Phillips	13	13	-	-	2	2
Mr William Bruce McMurray (Resigned 29 September 2020)	3	3	-	-	-	-

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

DIRECTORS' REPORT

Remuneration report (audited)

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

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

Principles used to determine the nature and amount of remuneration

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

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

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

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

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

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

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

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

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

Non-executive directors' remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

The long-term incentives ('LTI') include long service leave and share-based payments. No share-based incentives were issued to executives in the 2021 financial year.

DIRECTORS' REPORT

Group performance and link to remuneration

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

Measures for the 2021 financial year included: Revenue, Net Profit, available cash and year end share price. In addition to the financial metrics, the Board also considers the achievement of non-financial milestones or KPIs. For the year ended 30 June 2021, the following milestones were assessed as part of the Executive performance KPIs.

- Successful completion of \$15m capital raise, associated IPO and establishment of new processes for ASX reporting and compliance;
- Successful opening of new channels to market and specifier relationships in existing markets, and progress with new distribution arrangements in other international markets;
- Continued product development to expand the range and relevance of the product portfolio for both existing and new markets; and
- Recruitment of key roles to facilitate efficient business growth consistent with the Prospectus.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

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

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

And the following persons:

- Mr Neale Java – Chief Financial Officer (Appointed 8 February 2021)
- Mr John Bell – Chief Financial Officer (Appointed 13 October 2020, resigned 31 March 2021)

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

* Represents remuneration from 30 September 2020 to 30 June 2021

** Represents remuneration from 1 July 2020 to 29 September 2020

*** Represents remuneration from 8 February 2021 to 30 June 2021

**** Represents remuneration from 13 October 2020 to 31 March 2021

DIRECTORS' REPORT

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

	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
Non-Executive Directors						
Mr Roger Hawke (Chairman)	100%	100%	0%	0%	0%	0%
Mr Damian Lismore	100%	n/a	0%	n/a	0%	n/a
Mr Lindsay Phillips	100%	100%	0%	0%	0%	0%
Mr William McMurray	100%	100%	0%	0%	0%	0%
Executive Directors						
Mr Robert Wong	70%	100%	30%	0%	0%	0%
Mr Peter Ford	100%	100%	0%	0%	0%	0%
Other Key Management Personnel						
Mr Neale Java	78%	n/a	22%	n/a	0%	n/a
Mr John Bell	100%	n/a	0%	n/a	0%	n/a

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

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

	Cash bonus paid/payable		Cash bonus forfeited	
	2021	2020	2021	2020
Executive Directors				
Mr Robert William Wong	82%	n/a	18%	n/a
Mr Peter Shann Ford	n/a	n/a	n/a	n/a
Other Key Management Personnel				
Mr Neale Java	82%	n/a	18%	n/a
Mr John Bell	n/a	n/a	n/a	n/a

Service agreements

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

Name	Mr Robert William Wong
Title	Chief Executive Officer
Agreement commenced	Current agreement commenced 16 October 2020
Term of agreement	Ongoing
Details	Total Fixed Remuneration for the year ending 30 June 2021 of \$260,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 50% of Fixed Remuneration as per Nomination and Remuneration Committee approval and KPI achievement. There is a 6-month termination notice by either party and standard, non-solicitation and non-compete clauses.
Name	Mr Peter Shann Ford
Title	Founder and Executive Director
Agreement commenced	Current agreement commenced 12 October 2020
Term of agreement	Ongoing
Details	Total Fixed Remuneration for the year ending 30 June 2021 of \$170,000 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement. There is a 6-month termination notice by either party and standard non-solicitation and non-compete clauses.
Name	Mr Neale Java
Title	Chief Financial Officer
Agreement commenced	8 February 2021
Term of agreement	Ongoing
Details	Total Fixed Remuneration (pro rata) for the year ending 30 June 2021 comprising base salary of \$180,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 35% as per Nomination and Remuneration Committee approval and KPI achievement and a sign on LTI award of up to 50% of base salary. There is a 3 month termination notice by either party and standard non-solicitation and non-compete clauses.

DIRECTORS' REPORT

Name	Mr John Bell
Title	Former Chief Financial Officer
Agreement commenced	13 October 2020
Term of agreement	5.5 months (contract)
Details	Agreed Remuneration of \$500.00 + GST per day for an average of 2 days per week for the period commencing 13 October 2020 until his resignation on 31 March 2021. Additional time was billed for hours in excess of 2 days per week. There is a two-week termination notice by either party.

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

Share-based compensation

Issue of shares

No shares were issued to directors or other key management personnel as part of compensation during the year ended 30 June 2021.

Options

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

Additional information

The key financial metrics of the Group for the two years to 30 June 2021 are summarised below:

	2021	2020
	\$	\$
Sales revenue (including rental and trials)	3,972,119	3,099,092
EBITDA	(3,320,674)	(886,980)
Loss after income tax	(3,550,826)	(1,005,500)
Available cash	12,331,109	1,428,405
Share price at financial year end (\$)	\$0.695	n/a

Additional disclosures relating to key management personnel

Shareholdings

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

	Balance at the start of the year	Increase due to share split 15 Sep 2020	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr Roger David Hawke	135,214	623,264	-	-	758,478
Mr Robert William Wong	452,916	2,087,700	-	-	2,540,616
Mr Peter Shann Ford	3,918,923	18,064,133	-	(724,743)	21,258,313
Mr Damian Lismore*	-	-	55,000	-	55,000
Mr Lindsay John Phillips	3,004,276	13,848,101	343,299	-	17,195,676
Mr William Bruce McMurray**	178,131	821,088	-	(999,219)	-
Mr Neale Java	-	-	-	-	-
Mr John Bell	-	-	-	-	-
	7,689,460	35,444,286	398,299	(1,723,962)	41,808,083

* Represented by 30,000 shares owned on commencement as Director and further 25,000 shares acquired during the remainder of the financial year

** Disposals/other represents shareholding at date of resignation as a Director

Option holdings

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr Robert William Wong	3,365,678	-	-	-	3,365,678
Mr Peter Shann Ford	3,567,860	-	-	-	3,567,860
	6,933,538	-	-	-	6,933,538

All of the above options have vested and are exercisable.

Other transactions with key management personnel and their related parties

During the financial year, payments for employment in the normal course of business were made to close family members of Mr Robert Wong of \$95,417. There is no amount owing to these related parties at 30 June 2021. All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
23 December 2017	23 December 2021	\$0.21	3,365,678
28 June 2017	28 June 2022	\$0.21	3,567,860
13 February 2020	13 February 2025	\$0.45	749,268

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

Shares issued on the exercise of options

The following ordinary shares of Control Bionics Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
12 April 2017	\$0.21	56,095
13 February 2020	\$0.45	156,062

31,212 options from the grant on 13 February 2020 were exercised after the end of the financial year, before the date of this report.

Indemnity and insurance of officers

The Group has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

Rounding of amounts

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Board of Directors



Mr Roger David Hawke
Chairman

26 August 2021
Sydney

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF CONTROL BIONICS LIMITED

As lead auditor of Control Bionics Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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



John Bresolin
Director

BDO Audit Pty Ltd
Sydney, 26 August 2021

General information

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

Control Bionics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Suite G.03, 171 Union Road	Suite G.03, 171 Union Road
Surrey Hills	Surrey Hills
VIC 3127	VIC 3127
Australia	Australia

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2021. The directors have the power to amend and reissue the financial statements.

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated	
	Note	2021 \$	2020 \$
Revenue	4	3,972,119	3,099,092
Other income	5	458,156	201,932
Expenses			
Raw materials and consumables used		(1,429,955)	(714,450)
Employee benefits expense		(3,326,306)	(2,053,942)
General and administrative expense		(947,028)	(577,708)
Depreciation and amortisation expense	6	(198,534)	(115,190)
Marketing and promotion		(442,489)	(236,831)
Research & development costs	6	(166,233)	(68,304)
Legal fees, patents and insurance		(231,102)	(81,356)
Corporate travel		(252,816)	(376,323)
Professional fees		(242,643)	(76,748)
IPO costs		(777,371)	-
Foreign exchange gain/(loss)	6	103,752	(2,342)
Finance costs	6	(70,376)	(3,330)
Loss before income tax expense		(3,550,826)	(1,005,500)
Income tax expense	7	-	-
Loss after income tax expense for the year		(3,550,826)	(1,005,500)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(65,746)	43,745
Other comprehensive income for the year, net of tax		(65,746)	43,745
Total comprehensive loss for the year		(3,616,572)	(961,755)
Total comprehensive loss for the year is attributable to:			
Owners of Control Bionics Limited		(3,616,572)	(961,755)
		Cents	Cents
Basic earnings per share	29	(5.66)	(10.19)
Diluted earnings per share	29	(5.66)	(10.19)

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Consolidated	
	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	8	12,331,109	1,428,405
Trade and other receivables	9	1,120,722	316,659
Inventories	10	269,378	179,331
Total current assets		13,721,209	1,924,395
Non-current assets			
Property, plant and equipment	11	524,143	241,748
Intangible assets	12	4,078,824	4,084,609
Right-of-use assets	13	9,917	45,529
Other non-current assets		19,011	49,150
Total non-current assets		4,631,895	4,421,036
Total assets		18,353,104	6,345,431
Liabilities			
Current liabilities			
Trade and other payables	14	868,581	191,422
Lease liabilities	13	14,869	37,278
Employee benefits	15	289,889	135,328
Total current liabilities		1,173,339	364,028
Non-current liabilities			
Borrowings	16	-	235,738
Lease liabilities	13	-	9,373
Employee benefits	15	16,857	13,269
Total non-current liabilities		16,857	258,380
Total liabilities		1,190,196	622,408
Net assets		17,162,908	5,723,023
Equity			
Issued capital	17	28,174,654	13,059,966
Reserves	18	621,266	745,243
Accumulated losses		(11,633,012)	(8,082,186)
Total equity		17,162,908	5,723,023

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Issued Capital	Accum- ulated Losses	Foreign Currency Translation Reserve	Share Option Reserve	Total Equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2019	11,477,063	(7,076,686)	(44,102)	697,161	5,053,436
Loss for the year	-	(1,005,500)	-	-	(1,005,500)
Other comprehensive income for the year	-	-	43,745	-	43,745
Total comprehensive income for the year	-	(1,005,500)	43,475	-	(961,755)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments	-	-	-	48,439	48,439
Contributions of equity, net of transaction costs	1,582,903	-	-	-	1,582,903
Balance at 30 June 2020	13,059,966	(8,082,186)	(357)	745,600	5,723,023
	Issued Capital	Accum- ulated Losses	Foreign Currency Translation Reserve	Share Option Reserve	Total Equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2020	13,059,966	(8,082,186)	(357)	745,600	5,723,023
Loss for the year	-	(3,550,826)	-	-	(3,550,826)
Other comprehensive income for the year	-	-	(65,746)	-	(65,746)
Total comprehensive income for the year	-	(3,550,826)	(65,746)	-	(3,616,572)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments	-	-	-	88,692	88,692
Shares issued during the period, net of transaction costs	14,967,765	-	-	-	14,967,765
Exercise of options	(146,923)	-	-	(146,923)	-
Balance at 30 June 2021	28,174,654	(11,633,012)	(66,103)	687,369	17,162,908

40 The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2021

	Note	Consolidated	
		2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,524,992	3,076,738
Receipts from government grants		113,635	195,568
Payments to suppliers and employees (inclusive of GST)		(7,597,643)	(4,134,255)
Interest received		1,161	1,230
Interest and other finance costs paid		(32,779)	(3,330)
Net cash from operating activities	28	(3,990,634)	(864,049)
Cash flows from investing activities			
Payment for intangibles	12	(5,236)	(7,017)
Payments for property, plant and equipment	11	(48,162)	(294,830)
Net cash used in investing activities		(53,398)	(301,847)
Cash flows from financing activities			
Proceeds from issue of shares	17	15,683,059	1,582,903
Transaction costs on issue of shares	17	(715,294)	-
Proceeds from US payment protection loan		-	235,738
Lease payments		(45,209)	(26,196)
Net cash generated by financing activities		14,922,556	1,792,445
Net increase in cash and cash equivalents		10,878,524	626,549
Cash and cash equivalents at the beginning of the financial year		1,428,405	798,886
Effects of exchange rate changes on cash and cash equivalents		24,180	2,970
Cash and cash equivalents at the end of the financial year		12,331,109	1,428,405

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Control Bionics Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Control Bionics Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

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

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

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using the 'expected value' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability. The two primary performance obligations identified by the Group are: sale of goods and provision of 12 months fair use technical support.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sale of goods

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

Rental

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

Technical support and product trials

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

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research and Development tax offset

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

Other revenue

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

Government grants

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

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

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

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

Investments and other financial assets

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

Impairment of financial assets

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

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

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

Right-of-use assets

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks

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

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

Patents and trademarks 1-8 years

Intellectual Property

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

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

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

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

Impairment of non-financial assets

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

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

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

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

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

Finance costs

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

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

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

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

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

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

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Share-based payment transactions

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

Determination of variable consideration

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

Allowance for expected credit losses

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

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

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

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Research and development tax offset

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

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

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

The Group has identified one operating segment as the sale of assistive communications technology systems within the disability sector. The segment reported a loss before income tax of \$3,550,826 for the year ended 30 June 2021 (30 June 2020: \$1,005,500 loss). The segment currently has operations in two geographical locations: Australia and North America. This is consistent with the internal reporting provided to the CODM and is aligned to the one major revenue stream.

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

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

Types of products and services

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

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

Geographical information	Sales to external customers	
	2021	2020
	\$	\$
Australia	1,127,107	1,012,958
North America	2,845,012	2,086,134
	3,972,119	3,099,092

Segment assets and liabilities

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

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

NOTE 4. REVENUE

	Consolidated	
	2021	2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	3,878,140	3,022,613
Technical trials and support	50,655	57,299
Total Sales and Technical support	3,928,795	3,079,912
Lease of goods (rental)	43,324	19,180
Total Lease rental	43,324	19,180
Total Revenue	3,972,119	3,099,092

Disaggregation of revenue

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

	Australia	North America	Total
	\$	\$	\$
Consolidated - 2021			
Revenue from contracts with customers	1,082,369	2,846,426	3,928,795
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	1,031,714	2,846,426	3,878,140
Services transferred over time	50,655	-	50,655
	1,082,369	2,846,426	3,928,795
Consolidated - 2020			
Revenue from contracts with customers	1,012,958	2,066,954	3,079,912
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	974,290	2,048,323	3,022,613
Services transferred over time	38,668	18,631	57,299
	1,012,958	2,066,954	3,079,912

NOTE 5. OTHER INCOME

	Consolidated	
	2021	2020
	\$	\$
Interest income	1,161	1,230
Government grants in relation to COVID-19	340,652	97,723
Research & Development tax offset	11 6,343	102,979
Other income	458,156	201,932

Government grants in relation to COVID-19

- Australian Government Jobkeeper subsidy – Control Bionics Limited and Control Bionics Australia Pty Ltd were eligible for the Jobkeeper subsidy from the Australian government. A subsidy of \$113,635 was received for 3 eligible employees during the period July to September 2020 (30 June 2020: \$97,723).
- US Government US Payroll Protection Program (PPP) loan – Control Bionics Inc was provided a PPP loan of US\$161,787 as part of the US government COVID-19 support package. The US Federal Government confirmed that Control Bionics Inc met the criteria required for the loan to be waived and the Group have recognised the forgiveness of the loan balance as other income in the year accordingly, translated to A\$227,017.

NOTE 6. EXPENSES

	Consolidated	
	2021	2020
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	141,582	84,987
Right-of-use assets	45,931	27,318
Total depreciation	187,513	112,305
<i>Amortisation</i>		
Intangible assets	11,021	2,885
Total depreciation and amortisation	198,534	115,190
<i>Finance costs</i>		
Interest	32,779	1,226
Finance charges paid/payable on lease liabilities	37,597	2,104
Total finance costs	70,376	3,330
<i>Net foreign exchange</i>		
Net foreign exchange (gain)/loss	(103,752)	2,342
<i>Employee benefit expense</i>		
Contributions to defined contribution pension funds	176,416	150,625
Share-based payments expense	88,692	48,439
<i>Research and development</i>		
Research and development costs	166,233	68,304

NOTE 7. INCOME TAX EXPENSE

The income tax expense for the year comprises current income tax expense and deferred tax expense.

The current income tax expense for the year ended 30 June 2021 is nil (30 June 2020: nil).

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

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

	Consolidated	
	2021	2020
	\$	\$
Unused tax losses for which no deferred tax assets have been brought to account:		
Australian tax consolidated group	2,236,064	1,708,035
Control Bionics Inc (in relation to its tax year)	4,647,094	3,983,225
Total unused tax losses	6,883,158	5,691,260

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	12,331,109	1,428,405
	12,331,109	1,428,405
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Cash and cash equivalents	12,331,109	1,428,405
Balance as per statement of cash flows	12,331,109	1,428,405

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021	2020
	\$	\$
Trade receivables	670,581	174,615
Other receivables	327,055	22,044
Government grants (R&D tax offset)	110,000	120,000
Office deposit bond	13,086	-
	<u>1,120,722</u>	<u>316,659</u>

Allowance for expected credit losses

The Group has not recorded an allowance for expected credit losses at 30 June 2021 (30 June 2020: nil). Due to the business model across the organisation, there has not been a notable increased probability of customers delaying payment or being unable to pay due to the Coronavirus (COVID-19) pandemic. Management have continued to monitor ageing of receivables in the normal course of business.

NOTE 10. CURRENT ASSETS - INVENTORIES

	Consolidated	
	2021	2020
	\$	\$
Raw materials	269,378	179,331
	<u>269,378</u>	<u>179,331</u>

NOTE 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2021	2020
	\$	\$
Plant and equipment - at cost	110,757	62,593
Less: Accumulated depreciation	(19,107)	(12,921)
	<u>91,650</u>	<u>49,672</u>
Trial and demo equipment	645,610	274,242
Less: Accumulated depreciation	(213,117)	(82,166)
	<u>432,493</u>	<u>192,076</u>
	<u>524,143</u>	<u>241,748</u>

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
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NOTE 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (Continued)

Reconciliations

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

	Plant and equipment	Trial & demo equipment	Total
	\$	\$	\$
Consolidated			
Balance at 1 July 2019	10,866	20,485	31,351
Additions	41,435	253,395	294,830
Depreciation expense	(2,821)	(82,166)	(84,987)
Foreign exchange differences	192	362	554
Balance at 30 June 2020	49,672	192,076	241,748
Additions	48,162	-	48,162
Transfers from inventory	-	371,368	371,368
Depreciation expense	(10,631)	(130,951)	(141,582)
Foreign exchange differences	4,447	-	4,447
Balance at 30 June 2021	<u>91,650</u>	<u>432,493</u>	<u>524,143</u>

NOTE 12. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2021	2020
	\$	\$
Intellectual property	4,064,353	4,064,353
Less: Impairment	-	-
	<u>4,064,353</u>	<u>4,064,353</u>
Patents and trademarks - at cost	29,813	29,301
Less: Accumulated amortisation	(15,342)	(9,045)
	<u>14,471</u>	<u>20,256</u>
	<u>4,078,824</u>	<u>4,084,609</u>

NOTE 12. NON-CURRENT ASSETS – INTANGIBLES (Continued)

Reconciliations

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

	Intellectual Property	Patents and trademarks	Total
Consolidated	\$	\$	\$
Balance at 1 July 2019	4,064,353	16,124	4,080,477
Additions	-	7,017	7,017
Amortisation expense	-	(2,885)	(2,885)
Balance at 30 June 2020	4,064,353	20,256	4,084,609
Additions	-	5,236	5,236
Impairment of assets	-	-	-
Amortisation expense	-	(11,021)	(11,021)
Balance at 30 June 2021	4,064,353	14,471	4,078,824

Impairment testing

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

	Consolidated	
	2021	2020
	\$	\$
Control Bionics Group	4,064,353	4,064,353
	4,064,353	4,064,353

The recoverable amount of the Group's intellectual property has been determined based on fair value less costs of disposal, using a relief from royalty method. These calculations require the use of assumptions, including estimated future revenue, royalty rates and cost of maintenance. Calculations have been based on a 3 year projection period approved by management and extrapolated for a further 2 years using a steady rate, together with a terminal value.

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

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

- 12.5% (2020: 12.5%) royalty rate;
- 14.1% (2020: 18.0%) pre-tax discount rate (weighted average cost of capital);
- Projected revenue growth rate per annum based on detailed forecasts for years 1 to 3 and 15% for years 4 and 5

The pre-tax discount rate of 14.1% reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

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

NOTE 12. NON-CURRENT ASSETS – INTANGIBLES (Continued)

The directors have reviewed and are comfortable with the significant assumptions determined by management. Based on the above, the directors have determined that no impairment charge is required to the value of the intellectual property at 30 June 2021.

Sensitivity

As disclosed in note 2, management has made judgements and estimates in respect of impairment testing of intellectual property. Should these judgements and estimates not occur the resulting carrying amount of intellectual property may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 81% before intellectual property would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase to 42% before intellectual property value would need to be impaired, with all other assumptions remaining constant.

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

NOTE 13. LEASES

Right of use assets

	Consolidated	
	2021	2020
	\$	\$
Land and buildings - right-of-use	83,193	73,166
Less: Accumulated depreciation	(73,276)	(27,637)
	9,917	45,529

There were no additions to the right-of-use assets during the year. The increase in value of the right-of-use asset in financial year 2021 reflects an adjustment to take into account the full extent of expected length of lease at the Control Bionics Inc. building in Ohio. A new 4-year lease has been signed in July 2021 (to commence 1 September 2021) and as a result, for the 2021 financial year the term of the lease, and the resultant right-of-use asset) has been updated to reflect this period through to 31 August 2021.

Subsequent to 30 June 2021, Control Bionics Australia Pty Ltd have signed a lease for a new Head Office in Australia. Notice has been given of the intent to end the current lease in October 2021.

Depreciation charge for the year was \$45,931 (2020: \$27,318). Amounts paid for rent of office buildings was \$45,209 (2020: \$26,196).

The Group leases buildings for its offices and manufacturing facilities under agreements of two to four years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

NOTE 13 LEASES (Continued)

Lease Liabilities

	Consolidated	
	2021	2020
	\$	\$
Current	14,869	37,278
Non-current	-	9,373
	14,869	46,651
	14,869	37,278
	-	9,373
	14,869	46,651

Maturity analysis

Less than one year
One to five years

NOTE 14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
	\$	\$
Trade payables	459,615	145,446
Accrued expenses	273,800	45,976
GST and other sales taxes payable	104,641	-
Contract liabilities	30,525	-
	868,581	191,422

NOTE 15. CURRENT AND NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated	
	2021	2020
	\$	\$
Current liabilities		
Annual leave	246,718	97,592
Long service leave	43,171	37,736
	289,889	135,328
Non-current liabilities		
Long service leave	16,857	13,269
	306,746	148,597

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30 JUNE 2021

NOTE 15. CURRENT LIABILITIES - EMPLOYEE BENEFITS (Continued)

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTE 16. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2021	2020
	\$	\$
US Payroll Protection Program (PPP) loan	-	235,738

US Payroll Protection Program (PPP) loan

Control Bionics Inc was provided a PPP loan of US\$161,787 as part of the US government COVID-19 support package. The US Federal Government confirmed that Control Bionics Inc met the criteria required for the loan to be waived and the Group have recognised the forgiveness of the loan balance as other income in the year accordingly, translated to A\$227,017. At 30 June 2020, the loan was recognised as a liability of \$235,738, with the difference due to movements in exchange rates.

Total secured liabilities

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

Assets pledged as security

There are no assets pledged as security across the group.

Financing arrangements

The group has no facilities available, used or unused, at the reporting date.

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

NOTE 17. EQUITY - ISSUED CAPITAL

		Consolidated	
	2021	2020	
	Shares	Shares	
Ordinary shares - fully paid	83,514,278	10,232,254	28,174,654
<i>Movements in ordinary share capital</i>			
Details	Date	Shares	Issue price
Balance	1 July 2019	9,599,093	11,477,063
Issue of shares	12 Feb 2020	617,985	\$2.50
	12 May 2020	15,176	\$2.50
Balance	30 June 2020	10,232,254	13,059,966
Issue of shares	28 August 2020	166,839	\$2.50
Previously unpaid capital		-	-
Share split	15 September 2020	47,934,240	-
Issue of shares - Initial Public Offering	1 December 2020	25,000,000	\$0.60
Capitalised IPO costs	1 December 2020	-	(715,294)
Issue of shares – exercise of options	13 January 2021	56,095	\$0.21
Issue of shares – exercise of options	15 February 2021	31,212	\$0.45
Issue of shares – exercise of options	25 May 2021	93,638	\$0.45
Balance	30 June 2021	83,514,278	28,174,654

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

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

Capital risk management

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

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

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

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

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

NOTE 18. EQUITY - RESERVES

		Consolidated	
		2021	2020
		\$	\$
Share option reserve		687,369	745,600
Foreign currency translation reserve		(66,103)	(357)
		621,266	745,243

Share option reserve

The option reserve relates to share options granted by the Group to its employees under the arrangements outlined at note 30.

Foreign currency translation reserve

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share option reserve	Foreign currency translation reserve	Total
Consolidated	\$	\$	\$
Balance at 1 July 2019	697,161	(44,102)	653,059
Share based payments	48,439	-	48,439
Foreign currency translation	-	43,745	43,745
Balance at 30 June 2020	745,600	(357)	745,243
Share based payments	88,692	-	88,692
Exercise of options	(146,923)	-	(146,923)
Foreign currency translation	-	(65,746)	(65,746)
Balance at 30 June 2021	687,369	(66,103)	621,266

NOTE 19. FINANCIAL INSTRUMENTS

Financial risk management objectives

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

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

NOTE 19. FINANCIAL INSTRUMENTS (Continued)

Market risk

Foreign currency risk

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

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

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

	Assets		Liabilities	
	2021	2020	2021	2020
Consolidated	\$	\$	\$	\$
US dollars	664,795	240,042	(358,126)	(276,175)
	664,795	240,042	(358,126)	(276,175)

The Group had net financial assets denominated in foreign currencies of \$306,669 (assets of \$664,795 less liabilities of \$358,126) as at 30 June 2021 (2020: net financial liabilities of 36,133 (assets of \$240,042 less liabilities of \$276,175)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2020: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$40,791 higher/\$37,083 lower (2020: 5,265 lower/\$4,786 higher) and equity would have been \$40,791 higher/\$37,083 lower (2020: 5,265 lower/\$4,786 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2021 was \$103,752 (2020: loss of \$2,342).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

There are no significant exposures to interest rate risk for the Group as there are no external borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group predominantly makes sales to individuals and deals with insurance institutions for payment of individual treatment plans. There are therefore no large or material customers or counterparties to whom the Group is significantly exposed. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

NOTE 19. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

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

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

Financing arrangements

The Group does not have any external borrowings at 30 June 2021 (30 June 2020: \$235,738).

Remaining contractual maturities

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2021	%	\$	\$	\$	\$	\$

Non-derivatives

Non-interest bearing

Trade payables	-	636,292	-	-	-	636,292
Other payables	-	409,232	-	-	-	409,232

Interest-bearing - fixed rate

Lease liability	4.9%	11,595	-	-	-	11,595
Total non-derivatives		1,057,119	-	-	-	1,057,199

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2020	%	\$	\$	\$	\$	\$

Non-derivatives

Non-interest bearing

Trade payables	-	145,446	-	-	-	145,446
Other payables	-	45,976	-	-	-	45,976

Interest-bearing - fixed rate

US Payroll Protection Program (PPP) loan	1.0%	78,579	157,159	-	-	235,738
Lease liability	4.9%	36,230	10,331	-	-	46,561
Total non-derivatives		306,231	167,490	-	-	473,721

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

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

NOTE 20. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

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

And the following persons:

- Mr Neale Java – Chief Financial Officer (Appointed 8 February 2021)
- Mr John Bell – Chief Financial Officer (Appointed 13 October 2020, resigned 31 March 2021)

Compensation

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

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	719,423	303,151
Post-employment benefits	48,603	29,876
Long-term benefits	18,400	2,593
Share-based payments	3,000	42,200
	<u>789,426</u>	<u>377,820</u>

NOTE 21. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services – BDO</i>		
Audit or review of the financial statements	94,500	41,222
<i>Other services - BDO</i>		
Preparation of Tax Return and other Tax services	33,985	17,374
Independent services in relation to the Initial Public Offering	76,500	-
Other	2,955	-
	<u>113,440</u>	<u>17,374</u>
Total services - BDO	<u>207,940</u>	<u>58,596</u>
<i>Other services - network firms</i>		
Tax advisory services	13,849	23,662
Accounting support - CBI	8,300	8,362
	<u>22,149</u>	<u>32,023</u>

NOTE 22. CONTINGENT LIABILITIES

The group has no contingent liabilities at 30 June 2021 (30 June 2020: nil).

NOTE 23. COMMITMENTS

The group has no capital commitments at 30 June 2021 (30 June 2020: nil).

NOTE 24. RELATED PARTY TRANSACTIONS

Parent entity

Control Bionics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Payment for goods and services:		
Payment for employment services to related parties of Rob Wong	95,417	73,983

Receivable from and payable to related parties

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

	Consolidated	
	2021	2020
	\$	\$
Current payables:		
Total expense claims payable to key management personnel and their related parties	11,024	3,067

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

NOTE 25. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$	\$
Loss after income tax	(4,303,188)	(1,011,073)
Total comprehensive loss	(4,303,188)	(1,011,073)

Statement of financial position

	Parent	
	2021	2020
	\$	\$
Total current assets	12,538,496	1,592,354
Total assets	16,637,217	5,696,860
Total current liabilities	262,174	75,086
Total liabilities	262,174	75,086
Equity		
Issued capital	28,174,654	13,059,966
Reserves	687,369	-
Accumulated losses	(12,486,980)	(8,178,144)
Total equity	16,375,043	5,621,774

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

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

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

NOTE 26. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Control Bionics Australia Pty Limited	Australia	100%	100%
Control Bionics Inc	USA	100%	100%

NOTE 27. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- As announced on 28 July 2021, the Group entered into a reseller agreement in Singapore.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practical to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the governments in countries where the Group operates, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from those matters outlined above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 28. RECONCILIATION OF PROFIT OR LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated	
	2021 \$	2020 \$
Loss after income tax expense for the year	(3,550,826)	(1,005,500)
Adjustments for:		
Depreciation and amortisation	198,534	115,190
Research & development income	(110,000)	(102,979)
Forgiveness of CBI PPP loan	(227,017)	-
Share-based payments	88,692	48,439
Foreign exchange	32,533	(1,480)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(804,063)	(27,488)
(Increase)/decrease in inventories	(90,047)	1,125
(Increase)/decrease in other non-current assets	30,139	(91,315)
Increase/(decrease) in trade and other payables	441,421	199,959
Net cash from operating activities	(3,990,634)	(864,049)

NOTE 29. EARNINGS PER SHARE

	Consolidated	
	2021 \$	2020 \$
Loss after income tax attributable to the owners of Control Bionics Limited	(3,550,826)	(1,005,500)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	Number 62,692,863	Number 9,862,771
	Cents (5.66)	Cents (10.19)
Basic earnings per share	(5.66)	(10.19)
Diluted earnings per share	(5.66)	(10.19)

NOTE 30. SHARE-BASED PAYMENTS

There have been no options issued during the current financial year.

Historical Grants of Options

Grants on 23 December 2016, 12 April 2017 and 28 June 2017

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

Grants on 13 February 2020

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

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

NOTE 30. SHARE-BASED PAYMENTS (Continued)

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

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

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

NOTE 30. SHARE-BASED PAYMENTS (Continued)

2021			Fair value	Balance at		Additions	Expired/		Balance at
	Exercise	at grant	the start of		In Share	forfeited/			the end of
Grant date	Expiry date	Price*	date	the year	Granted	Split *	Other	Exercised	the year
23 Dec 2016	23 Dec 2021	\$0.21	\$335,700	600,000	-	2,765,678	-	-	3,365,678
12 Apr 2017	12 Apr 2022	\$0.21	\$5,595	10,000	-	46,095	-	(56,095)	-
28 Jun 2017	28 Jun 2022	\$0.21	\$355,866	636,043	-	2,931,817	-	-	3,567,860
13 Feb 2020	13 Feb 2025	\$0.45	\$226,781	200,337	-	923,445	(218,518)	(124,850)	780,414
			\$923,942	1,446,380	-	6,667,035	(218,518)	(180,945)	7,713,952
Weighted average exercise price				\$1.38	\$0.00	\$0.24	\$0.45	\$0.38	\$0.23

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

2020			Fair value	Balance at		Additions	Expired/		Balance at
	Exercise	at grant	the start of		In Share	forfeited/		at the end of	
Grant date	Price*	date	the year	Granted	Split *	Other	Exercised	the year	
23 Dec 2016	23 Dec 2021	\$1.20	\$335,700	600,000	-	-	-	600,000	
12 Apr 2017	12 Apr 2022	\$1.20	\$5,595	10,000	-	-	-	10,000	
28 Jun 2017	28 Jun 2022	\$1.20	\$355,866	636,043	-	-	-	636,043	
13 Feb 2020	13 Feb 2025	\$2.50	\$226,781	-	200,337	-	-	200,337	
			\$923,942	1,246,043	200,337	-	-	1,446,380	
Weighted average exercise price				\$1.20	\$2.50	\$0.00	\$0.00	\$1.38	

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

Grant date	Expiry date	2021 Number	2020 Number
23 Dec 2016	23 Dec 2021	3,365,678	600,000
12 Apr 2017	12 Apr 2022	-	10,000
28 Jun 2017	28 Jun 2022	3,567,860	636,043
13 Feb 2020	13 Feb 2025	124,874	-
		7,058,412	1,246,043

The weighted average share price during the financial year was \$0.67 (2020: n/a).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.04 years (2020: n/a).

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board of Directors



Mr Roger David Hawke
Chairman

26 August 2021
Sydney

INDEPENDENT AUDITOR'S REPORT

To the members of Control Bionics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Control Bionics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

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 the matter was addressed in our audit
Impairment of Intangible Assets The Group recognises material intellectual property assets, as detailed in Note 12 to the financial statements. The intangible assets are assessed as having an indefinite useful life, and as such must be tested for impairment on an annual basis. This matter is considered significant to our audit given the material nature of these intangible assets to the Group, and the judgement associated with assessing the recoverable amount of the assets under a relief from royalty method. As a result of their impairment testing, management has concluded that no impairment charge is required on the intellectual property as at 30 June 2021. As a focus of our audit work, we have assessed the relief from royalty calculations prepared by management, ensuring that the carrying value of these assets at 30 June 2021 is not in excess of their recoverable amount.	Our audit procedures in order to address this key audit matter included, but were not limited to; - Evaluating the relief from royalty ('RR') model prepared by management to determine the fair value less costs of disposal of the intellectual property. This included challenging and substantiating the key assumptions made by management, such as forecast revenue growth, royalty rates and discount rates; - Consulting with our valuation experts in order to assess the reasonableness of the methodology applied throughout the model, the royalty rate and the discount rate; - Performing sensitivity analysis on the RR model in order to assess the impact of changes to the key assumptions in the model on the recoverable amount of the assets; and - Ensuring disclosure in the financial statements is adequate and meets the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Control Bionics Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd



John Bresolin
Director

Sydney, 26 August 2021

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

The shareholder information set out below was applicable as at 11 August 2021.

Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	282	0.24
1,001 to 5,000	758	2.81
5,001 to 10,000	447	4.27
10,001 to 100,000	415	12.50
100,001 and over	42	80.18
	1944	100
Holding less than a marketable parcel	131	0.07

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
PETER SHANN FORD	21,258,313	25.45%
NIGHTINGALE PARTNERS PTY LIMITED	9,117,123	10.91%
PHOENIX DEVELOPMENT FUND LIMITED	8,019,581	9.60%
BNP PARIBAS NOMS PTY LTD <DRP>	4,488,696	5.37%
LOIDL NOMINEES PTY LTD <LOIDL FAMILY A/C>	2,541,289	3.04%
R & R WONG HOLDINGS PTY LIMITED <R & R WONG FAMILY SUPER A/C>	2,540,616	3.04%
PACIFIC ATLANTIC COMMERCE PTY LTD <CORCILLUM SUPER FUND A/C>	1,396,182	1.67%
DOWE HOLDINGS PTY LIMITED	1,121,893	1.34%
WINDWARD CAPITAL PTY LTD <S&L RIX SUPERFUND A/C>	1,118,863	1.34%
BRINDLE HOLDINGS PTY LTD <O'CONNOR S/F A/C>	1,100,000	1.32%
SANTIOS PTY LIMITED <THE MCMURRAY FAMILY A/C>	999,219	1.20%
NATIONAL NOMINEES LIMITED	845,311	1.01%
JAMES SCHOREY	834,168	1.00%
NANDAROO PTY LIMITED	792,202	0.95%
PAULA DARLING	781,757	0.94%
ROBERT ALLWELL PTY LTD <ROBERT ALLWELL SUPERFUND A/C>	781,757	0.94%
HAFNIUM MANAGEMENT PTY LTD <HAFNIUM FAMILY A/C>	758,478	0.91%
PAUL MAHON	701,183	0.84%
DARRELL G BLANDFORD	611,303	0.73%
DIANNA LOUISE COOKE	575,307	0.69%
	60,953,241	72.96%
<i>Unquoted equity securities</i>		
	Number on issue	Number of holders
Options over ordinary shares issued	7,682,740	5

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
PETER SHANN FORD	21,258,313	25.45%
NIGHTINGALE PARTNERS PTY LIMITED	9,117,123	10.91%
PHOENIX DEVELOPMENT FUND LIMITED	8,019,581	9.60%
BNP PARIBAS NOMS PTY LTD <DRP>	4,488,696	5.37%

CONTROL BIONICS LIMITED (FORMERLY KNOWN AS CONTROL BIONICS HOLDINGS PTY LTD)
NOTES TO THE FINANCIAL STATEMENTS
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Voting rights

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

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Consistency with business objectives – ASX Listing Rule 4.10.19

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



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LIFE-CHANGING
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