Nexdius Limited

ABN: 95 165 149 968

Financial Statements

For the Year Ended 30 June 2019

Nexdius Limited

ABN: 95 165 149 968

Contents

For the Year Ended 30 June 2019

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Directors' Report
30 June 2019

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2019.

Directors

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

Kristina K W Arnott

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

Mathew G H Collett

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

Titus E Day

Experience	A veteran in the entertainment industry with over 25 years' experience, Titus has successfully founded businesses and managed leading companies such as IMG, LA based Atlantic Talent Management and media management company 22 Management. Titus has represented some of the world's best known names including, Jamie Oliver, Jennifer Hawkins and Guy Sebastian. He has negotiated some of Australia's biggest media deals including the Beaconsfield Miners Channel Nine deal.

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

Company secretary

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

Winton W Willesee

Erlyn S Dale

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

Principal activities

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

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

Operating results

The consolidated loss of the Group amounted to $ 1,296,779 (2018: $2,625,558).

Significant changes in state of affairs

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

Events after the reporting date

In September 2019 the Group entered into a termination agreement with Almirall with a termination payment of Three hundred and seventy five thousand US dollars paid by Almirall to Solar D Skincare in early November 2019. This product and formula was made by our US manufacturer, at Almirall's request. Rectification and compensation discussions between The Company and our US manufacturer continue at the date of this report.

In September 2019 the Group signed an agreement with OnMarket Bookbuilds to raise five million dollars to support the Group's growth and IP buyout strategy.

In November 2019 The Group, after an extended negotiation and due diligence period, reached preliminary agreement over the commercial terms for an exclusive distribution agreement into China. The agreement includes minimum order quantities to maintain exclusivity. The gross revenue to the Group of the minimum order quantities over the term of the 5 year distribution agreement is twenty seven million dollars AUD.

Subsequent to the reporting date, the Group adopted an Employee Share Option Plan and agreed to issue 7 million share options (at $0.12 with a maturity date of 3 years from the date of issue) under the plan. These share options will be issued to entities associated with the Chairman (3 million) and the other directors (2 million each).

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

Future developments and results

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

Environmental matters

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

Nexdius Limited

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Directors' Report

30 June 2019

Meetings of directors

During the financial year, 44 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Kristina K W Arnott	44	44
Mathew G H Collett	44	40
Titus E Day	44	44

Indemnification and insurance of officers and auditors

During the financial year the Group paid a premium of $3,005 (2018: $5,084) to insure the directors, secretaries and management of the consolidate Group.

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

Proceedings on behalf of company

During the year the Company was named as the third defendant in proceedings commenced in the Federal Court of Australia. The Proceedings are principally against one of the Company's directors, Titus Day, for matters unrelated to the Company's day to day business operations. The proceedings stem from a contractual dispute between Mr Day and a third party, with a claim principally being made by the third party against Mr Day and his shareholding in the Company and an alternate claim against the Company if the former claim is unsuccessful. Mediation efforts over the preceding 12 months did not result in finalisation of the matter, therefore the matter is currently set for hearing in the Federal Court in June 2020. The Company remains confident that it can defend the action against it and a Defence and Cross Claim has been prepared and filed in the Federal Court. Mr Day has agreed to personally directly pay all legal costs associated with defending these proceedings.

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

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 4 of the financial report.

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

Director: .... Kristina K W Arnott

Director: .... Mathew G H Collett

Dated: 29 November 2019

Nexdius Limited
ABN: 95 165 149 968

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

STobutt

SCOTT TOBUTT
PARTNER

29 NOVEMBER 2019
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

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Nexdius Limited

ABN: 95 165 149 968

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019 $	2018 $
Revenue	4	**244,797**	338,626
Other income	4	**2,127**	40,602
Raw materials and consumables used		**(374,166)**	(144,927)
Employee benefits expense		**(50,524)**	(184,912)
Depreciation and amortisation expense		**(32,145)**	-
Manufacturing costs		**-**	(3,348)
Accountancy expenses		**(178,179)**	(113,925)
Advertising expenses		**(126,624)**	(1,202,805)
Consultancy expense		**(610,233)**	(1,070,581)
Research expense		**-**	(1,149)
Other expenses		**(112,570)**	(253,586)
Finance costs		**(59,262)**	(29,553)
Loss before income tax		**(1,296,779)**	(2,625,558)
Income tax expense		**-**	-
Loss for the year		**(1,296,779)**	(2,625,558)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(1,296,779)**	(2,625,558)

The accompanying notes form part of these financial statements.

Nexdius Limited

ABN: 95 165 149 968

Consolidated Statement of Financial Position

As At 30 June 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**24,004**	12,490
Trade and other receivables	6	**27,982**	57,955
Inventories	7	**44,873**	99,269
TOTAL CURRENT ASSETS		**96,859**	169,714
TOTAL ASSETS		**96,859**	169,714
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**850,391**	1,731,277
Borrowings	10	**569,248**	5,213
Employee benefits	11	**11,630**	11,630
TOTAL CURRENT LIABILITIES		**1,431,269**	1,748,120
Trade and other payables	9	**211,120**	73,920
TOTAL NON-CURRENT LIABILITIES		**211,120**	73,920
TOTAL LIABILITIES		**1,642,389**	1,822,040
NET DEFICIT		**(1,545,530)**	(1,652,326)
EQUITY			
Issued capital	12	**7,513,401**	6,109,826
Accumulated losses		**(9,058,931)**	(7,762,152)
TOTAL EQUITY		**(1,545,530)**	(1,652,326)

The accompanying notes form part of these financial statements.

Nexdius Limited
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Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2019

	Note	Ordinary Shares $	Accumulated losses $	Total $
Balance at 1 July 2018		**6,109,826**	**(7,762,152)**	**(1,652,326)**
Loss attributable to members of the parent entity		**-**	**(1,296,779)**	**(1,296,779)**
Shares issued during the year	12(a)	**1,403,575**	**-**	**1,403,575**
Balance at 30 June 2019		**7,513,401**	**(9,058,931)**	**(1,545,530)**

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

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**304,573**	451,241
Payments to suppliers and employees		**(2,306,475)**	(2,003,374)
Interest received		**13**	150
Grants received		**-**	40,452
Finance costs		**(59,262)**	(29,553)
Net cash used in operating activities	20	**(2,061,151)**	(1,541,084)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of intangibles		**(32,145)**	-
Net cash used by investing activities		**(32,145)**	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**701,235**	76,297
Proceeds from issue of shares		**1,403,575**	659,943
Net cash provided by financing activities		**2,104,810**	736,240
Net increase/ (decrease) in cash and cash equivalents held		**11,514**	(804,844)
Cash and cash equivalents at beginning of year		**12,490**	817,334
Cash and cash equivalents at end of financial year	5	**24,004**	12,490

The accompanying notes form part of these financial statements.

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

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

The financial report was authorised for issue by the Directors on 29 November 2019.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

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

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

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

2 Summary of Significant Accounting Policies

(a) Going concern

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

- Forecasted revenue targets and cash flow generation being achieved – preliminary agreements have been secured in relation to significant new supply contracts, with additional potential partners and distribution markets progressing;

- Adherence to agreed payment plans in place with creditors; and

- The successful raising of additional funds and capital as and when it is required – the Group has successfully raised capital and funds during this and previous periods and is in the process of raising additional share capital after year end. The Group is therefore confident it has the continued support from shareholders and related parties;

If the Group is not successful in the achieving the above the going concern basis may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business, with amounts realised being different from those disclosed in the financial report.

These conditions therefore indicate the existence of a material uncertainty which casts doubt on the Group's ability to continue as a going concern. Therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

No allowance for such circumstance has been made in the financial report.

2 Summary of Significant Accounting Policies

(b) Basis for consolidation

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

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

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

A list of controlled entities is contained in Note 16 to the financial statements.

(c) Revenue and other income

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Sale of goods

Revenue is recognised at the point in time the goods are transferred to the customer. This is consistent with the transfer of control to the customer and the satisfaction of performance obligations.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Other income

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

2 Summary of Significant Accounting Policies

(c) Revenue and other income

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

(d) Income Tax

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

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

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(e) Borrowing costs

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

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

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

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

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

2 Summary of Significant Accounting Policies

(g) Cash and cash equivalents

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

(h) Employee benefits

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

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

(i) Inventories

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

(j) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

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

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

2 Summary of Significant Accounting Policies

(j) Financial instruments

Financial assets

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or

- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

2 Summary of Significant Accounting Policies

(j) Financial instruments

Financial assets

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

(k) Impairment of non-financial assets

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

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

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

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

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

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

(l) Intangible Assets

Patents and royalties

Patents and royalties are recognised at cost of acquisition. Patents and royalties have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 2 to 5 years.

Amortisation

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

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

2 Summary of Significant Accounting Policies

(m) Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(n) Adoption of new and revised accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

• AASB 9 Financial Instruments and related amending Standards; and

• AASB 15 Revenue from Contracts with Customers.

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. The Group has elected not to restate comparatives in respect of the classification and measurement of financial instruments as there is no impact on the current or comparative period. Additionally, the Group adopted consequential amendments to AASB 7 Financial Instruments: Disclosures that were applied to the disclosures surrounding 2019 and to the comparative period.

AASB 9 introduced new requirements for:

• The classification and measurement of financial assets and financial liabilities,

• Impairment of financial assets, and

• General hedge accounting.

The directors of the Company reviewed and assessed the Company’s existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had no impact on the Group’s financial instruments in regards to their classification and measurement.

2 Summary of Significant Accounting Policies

(n) Adoption of new and revised accounting standards

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a five step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

The Group’s accounting policies for its revenue streams are disclosed in detail in note 2 (c). Apart from providing more disclosures for the Group’s revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group.

(o) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations (AASB 16 Leases) that have mandatory application dates for future reporting periods (1 July 2019). The Group has decided not to early adopt these Standards.

3 Critical Accounting Estimates and Judgements

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

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

The significant estimates and judgements made have been described below.

Key estimates - Impairment of Intangible assets

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

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

An impairment loss of $32,145 (2018: $Nil) has been recognised in respect of intangible assets at the end of the reporting period.

4 Revenue and Other Income

	2019	2018
	$	$
Revenue		
Sales revenue	**244,797**	338,626
Other Income		
Government grants	**-**	40,452
Interest received	**2,127**	150
	2,127	40,602

5 Cash and cash equivalents

Cash at bank	**24,004**	12,490

6 Trade and other receivables

Trade receivables	**318**	31,831
GST receivable	**27,664**	26,124
	27,982	57,955

7 Inventories

At cost:		
Finished goods	**44,873**	99,269

8 Intangible Assets

Patents and royalties		
At cost	**512,228**	480,083
Accumulated amortisation	**(512,228)**	(480,083)
	-	-

9 Trade and Other Payables

CURRENT		
Trade payables	**816,027**	1,718,627
Accrued expense	**34,364**	12,650
	850,391	1,731,277
NON CURRENT		
Related party loan	**211,120**	73,920

10 Borrowings

CURRENT		
Secured liabilities:		
Bank overdraft	**-**	5,213
Borrowings	**569,248**	-
	569,248	5,213

10 Borrowings

Borrowings are secured by the underlying stock in relation to the sales contract which the debt finance agreement is based upon.

Cash and cash equivalents are pledged against the bank overdraft on an ongoing floating basis for the term of the bank overdraft's maturity.

11 Employee Benefits

	2019	2018
	$	$
Provision for employee benefits	**11,630**	11,630

(a) Reconciliation

	Employee benefits
2019	**$**
Opening balance	**11,630**
Additional provisions raised during the year	**3,735**
Amounts used	**(3,735)**
Closing balance	**11,630**

12 Issued Capital

100,237,368 (2018: 85,650,944) Ordinary shares	**7,513,401**	6,109,826

(a) Ordinary shares

	No.	No.
At the beginning of the reporting period	**85,650,944**	81,628,384
Shares issued during the year	**14,586,424**	4,022,560
At the end of the reporting period	**100,237,368**	85,650,944

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

13 Key Management Personnel Remuneration

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

Short-term benefits	**21,400**	122,500
Long-term benefits	**-**	14,327
	21,400	136,827

Performance rights are in place in relation to key management personnel. At the reporting date $nil expense has been recognised in relation to these performance rights based on an assessment of performance to date against the relevant criteria.

14 Related Parties

(a) Loans from related parties

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

Loans are unsecured and repayable in cash.

	Opening balance	Closing balance
Loan from related parties		
2019	**73,920**	**211,120**
2018	-	73,920

No interest is paid on related party loans, which relate to amounts repayable to Titus Day.

15 Share option reserve

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

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

On 12 February 2018 the Group granted a further 200k share options with a maturity of 1 March 2022 at an exercise price of $0.25.

On 21 November 2018 the Group granted a further 4.167m share options at an exercise price of $0.15, 208k share options at an exercise price of $0.18, and 100k share options at an exercise price of $0.25 all of which have a maturity date of 21 November 2020.

On 13 March 2019 the Group granted a further 750k share options at an exercise price of $0.20, 1.563m share options at an exercise price of $0.16, and 1.0m share options at an exercise price of $0.12 all of which have a maturity date of 9 April 2022.

On 20 May 2019 the Group granted a further 2.0m share options at an exercise price of $0.168 with a maturity date of 9 April 2022.

At the reporting date $nil expense has been booked as all share options issued to date are deemed to be out of the money.

16 Interests in Subsidiaries

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2019	Percentage Owned (%)* 2018
Subsidiaries:			
Solar D Skincare Pty Ltd	Australia	**100**	100

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

17 Financial Risk Management

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

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

(a) Summary Table

	2019	2018
	$	$
Financial Assets:		
Cash and cash equivalents	**24,004**	12,490
Receivables	**27,982**	57,955
Total Financial Assets	**51,986**	70,445
Financial Liabilities:		
Loans and overdrafts	**569,248**	5,213
Trade and other payables	**850,391**	1,731,277
Total Financial Liabilities	**1,419,639**	1,736,490

18 Parent entity

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

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

	2019	2018
	$	$
Statement of Financial Position		
Assets		
Current assets	**19,123**	9,071
Total Assets	**19,123**	9,071
Liabilities		
Current liabilities	**85,231**	175,732
Total Liabilities	**85,231**	175,732
Equity		
Issued capital	**7,513,401**	6,109,826
Accumulated losses	**(7,447,293)**	(5,943,165)
Total Equity	**66,108**	166,661
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	**(53,572)**	(1,504,128)
Total comprehensive loss	**(53,572)**	(1,504,128)

19 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2019 (30 June 2018:None).

20 Cash Flow Information

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

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

	2019	2018
	$	$
Net loss for the year	**(1,296,779)**	(2,625,558)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation	**32,145**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**29,973**	71,579
- (increase)/decrease in inventories	**54,396**	(99,269)
- increase/(decrease) in trade and other payables	**(880,886)**	1,100,534
- increase/(decrease) in employee benefits	**-**	11,630
Cashflows from operations	**(2,061,151)**	(1,541,084)

21 Events Occurring After the Reporting Date

The financial report was authorised for issue on 29 November 2019 by the board of directors.

In September 2019 the Group entered into a termination agreement with Almirall with a termination payment of Three hundred and seventy five thousand US dollars paid by Almirall to Solar D Skincare in early November 2019. This product and formula was made by our US manufacturer, at Almirall's request. Rectification and compensation discussions between The Company and our US manufacturer continue at the date of this report.

In September 2019 the Group signed an agreement with OnMarket Bookbuilds to raise five million dollars to support the Group's growth and IP buyout strategy.

In November 2019 The Group, after an extended negotiation and due diligence period, reached preliminary agreement over the commercial terms for an exclusive distribution agreement into China. The agreement includes minimum order quantities to maintain exclusivity. The gross revenue to the Group of the minimum order quantities over the term of the 5 year distribution agreement is twenty seven million dollars AUD.

Subsequent to the reporting date, the Group adopted an Employee Share Option Plan and agreed to issue 7 million share options (at $0.12 with a maturity date of 3 years from the date of issue) under the plan. These share options will be issued to entities associated with the Chairman (3 million) and the other directors (2 million each).

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

22 Company Details

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

Nexdius Limited
255 Oxford Street
Paddington
NSW 2021

Nexdius Limited

ABN: 95 165 149 968

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 22, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and

   b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company and consolidated group.

2. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

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

Director ....
Kristina K W Arnott

Director ....
Mathew G H Collett

Dated: 29 November 2019

Report on the Audit of the Financial Report

Opinion

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

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Emphasis of Matter - Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 2(a) in the financial report which indicates that the Group has incurred significant losses and operating cash outflows during the period. The Group’s ability to continue as a going concern is contingent upon achieving successful capital and fund raisings and continued improvements in revenue growth and operational cash flows. These conditions therefore indicate the existence of a material uncertainty which casts doubt on the Group’s ability to continue as a going concern. Therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. No allowance for such circumstance has been made in the financial report.

Our opinion has not been modified in this respect.

Responsibilities of Directors for the Financial Report

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

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

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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SCOTT TOBUTT
PARTNER

29 NOVEMBER 2019
SYDNEY, NSW