Phosphagenics Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Phosphagenics Limited
ABN:	32 056 482 403
Reporting period:	For the year ended 31 December 2018
Previous period:	For the year ended 31 December 2017

2. Results for announcement to the market

				$
Revenues from ordinary activities	Up	21.2%	to	1,394,275
Loss from ordinary activities after tax attributable to the owners of Phosphagenics Limited	down	53.3%	to	(3,991,020)
Loss for the year attributable to the owners of Phosphagenics Limited	down	53.3%	to	(3,991,020)

Explanation of loss from ordinary activities after tax

Total revenue was increased by 21% for the year to $1,394,275 (2017: $1,150,356), with significantly increased sale of goods and services of $1,252,316 (2017: $469,288) offset by lower royalties and licence fees of $141,959 (2017: $681,068). Sales of Vital ET to global distributor, Ashland Industries Europe GMBH, were the main contributor to the increased revenue level. Licence revenue was decreased due to payment of signing fees in prior year and termination of such contracts subsequently in the 2018 financial year.

Other income was increased by 13% to $1,349,425 (2017: $1,194,475), primarily from $566,830 termination and completion fees received from Terumo Corporation relating to TPM®/Oxymorphone and TPM®/Ropivacaine projects, offset by a decrease in the R&D tax incentive credit to $685,412 (2017: $1,007,684) reflecting lower spend on R&D for the year.

Expenses from continuing operations were considerably lower at $6,181,398 (2017: $10,869,104), with lower legal fees to support arbitrations of $138,705 (2017: $3,439,377).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.16	0.28

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit status

The financial statements are currently in the process of being audited by PricewaterhouseCoopers. The Company expects to receive an unqualified audit opinion, with an emphasis of matter on going concern in relation to the matter detailed in Note 1.

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11. Attachments

Details of attachments (if any):

The preliminary 2018 annual report of Phosphagenics Limited is attached.

Phosphagenics Limited

ABN 32 056 482 403

Preliminary Annual Report - 31 December 2018

Directors	Dr Greg Collier (Non-Executive Chairman) Dr Ross Murdoch (Chief Executive Officer and Managing Director) Mr David Segal (Non-Executive Director)
Company Secretary	Ms Melanie Leydin Mr Michael Sapountzis
Registered office	Unit A8, 2A Westall Road Clayton VIC 3168 Australia
Principal place of business	Unit A8, 2A Westall Road Clayton VIC 3168 Australia Telephone: +61 3 9002 5000 Email: info@phosphagenics.com
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 Australia Telephone: +61 3 9415 5000 Fax: +61 3 9473 2500
Auditor	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia
Stock exchange listing	Phosphagenics Limited securities are listed on the Australian Securities Exchange. (ASX code: POH)
Website	www.phosphagenics.com

Phosphagenics Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Sale of goods and services		1,252,316	469,288
Royalties and licence fees		141,959	681,068
Total revenue		1,394,275	1,150,356
Cost of sales		(553,322)	(93,755)
Gross profit		840,953	1,056,601
Other income	4	1,349,425	1,194,475
Employee and directors benefits expenses	5	(2,564,288)	(3,157,699)
Legal expenses	6	(446,555)	(3,584,140)
Research expenses		(353,546)	(1,191,231)
Consultancy and professional fees		(877,652)	(824,983)
Amortisation and depreciation		(725,639)	(776,468)
Impairment losses		(157,000)	-
Other expenses	7	(1,056,718)	(1,334,583)
Loss before income tax expense from continuing operations		(3,991,020)	(8,618,028)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(3,991,020)	(8,618,028)
Profit after income tax expense from discontinued operations		-	72,670
Loss after income tax expense for the year attributable to the owners of Phosphagenics Limited		(3,991,020)	(8,545,358)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		16,547	(5,859)
Other comprehensive income for the year, net of tax		16,547	(5,859)
Total comprehensive income for the year attributable to the owners of Phosphagenics Limited		(3,974,473)	(8,551,217)
Total comprehensive income for the year is attributable to:			
Continuing operations		(3,974,473)	(8,623,887)
Discontinued operations		-	72,670
		(3,974,473)	(8,551,217)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Phosphagenics Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the owners of Phosphagenics Limited			
Basic earnings per share		(0.25)	(0.66)
Diluted earnings per share		(0.25)	(0.66)
Earnings per share for profit from discontinued operations attributable to the owners of Phosphagenics Limited			
Basic earnings per share		-	0.01
Diluted earnings per share		-	0.01
Earnings per share for loss attributable to the owners of Phosphagenics Limited			
Basic earnings per share		(0.25)	(0.66)
Diluted earnings per share		(0.25)	(0.66)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Phosphagenics Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current assets			
Cash and cash equivalents	8	2,111,171	2,898,596
Trade and other receivables		677,031	2,394,732
Inventories		99,849	291,642
Other current assets		359,214	217,512
Total current assets		3,247,265	5,802,482
Non-current assets			
Plant and equipment		159,582	251,032
Intangibles	9	1,395,000	2,186,000
Total non-current assets		1,554,582	2,437,032
Total assets		4,801,847	8,239,514
Liabilities			
Current liabilities			
Trade and other payables		571,961	1,238,838
Deferred income		-	108,262
Provisions		300,541	366,429
Total current liabilities		872,502	1,713,529
Non-current liabilities			
Deferred income		-	76,078
Provisions		29,539	46,545
Total non-current liabilities		29,539	122,623
Total liabilities		902,041	1,836,152
Net assets		3,899,806	6,403,362
Equity			
Issued capital	10	232,632,424	231,274,227
Reserves	11	30,415,923	30,351,533
Accumulated losses		(259,148,541)	(255,222,398)
Total equity		3,899,806	6,403,362

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Phosphagenics Limited
Consolidated statement of changes in equity
For the year ended 31 December 2018

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2017	228,099,705	30,223,857	(246,677,040)	11,646,522
Loss after income tax expense for the year	-	-	(8,545,358)	(8,545,358)
Other comprehensive income for the year, net of tax	-	(5,859)	-	(5,859)
Total comprehensive income for the year	-	(5,859)	(8,545,358)	(8,551,217)
Transactions with owners in their capacity as owners:				
Issue of share capital	3,360,685	-	-	3,360,685
Transaction costs	(186,163)	-	-	(186,163)
Employee equity settlement benefits	-	133,535	-	133,535
Balance at 31 December 2017	231,274,227	30,351,533	(255,222,398)	6,403,362

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2018	231,274,227	30,351,533	(255,222,398)	6,403,362
Adjustment to opening accumulated losses for change in accounting standard	-	-	64,877	64,877
Adjusted Balance at 1 January 2018	231,274,227	30,351,533	(255,157,521)	6,468,239
Loss after income tax expense for the year	-	-	(3,991,020)	(3,991,020)
Other comprehensive income for the year, net of tax	-	16,547	-	16,547
Total comprehensive income for the year	-	16,547	(3,991,020)	(3,974,473)
Transactions with owners in their capacity as owners:				
Issue of share capital	1,371,688	-	-	1,371,688
Transaction costs	(13,491)	-	-	(13,491)
Employee equity settlement benefits	-	47,843	-	47,843
Balance at 31 December 2018	232,632,424	30,415,923	(259,148,541)	3,899,806

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

	Note	Consolidated 2018 $	2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,527,990	1,257,523
Receipt of recoveries		6,664	76,539
Receipt of government grants		2,085,059	2,293,919
Other receipts		566,830	-
Payments to suppliers and employees (inclusive of GST)		(6,374,014)	(10,048,943)
Net cash used in operating activities	13	(2,187,471)	(6,420,962)
Cash flows from investing activities			
Interest received		42,273	33,816
Payments for plant and equipment		(424)	(55,588)
Proceeds from sale of plant and equipment		-	75,300
Net cash from investing activities		41,849	53,528
Cash flows from financing activities			
Proceeds from issue of shares	10	1,371,688	3,360,685
Cost of issue of shares		(13,491)	(186,163)
Net cash from financing activities		1,358,197	3,174,522
Net decrease in cash and cash equivalents		(787,425)	(3,192,912)
Cash and cash equivalents at the beginning of the financial year		2,898,596	6,091,508
Cash and cash equivalents at the end of the financial year	8	2,111,171	2,898,596

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

Note 1. Significant accounting policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by Phosphagenics Limited during the reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

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

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 and the Corporations Act 2001. The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year.

Compliance with IFRS

The consolidated financial statements of the Phosphagenics Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going concern

For the year ended 31 December 2018, the consolidated entity has incurred losses of $3,991,020 (2017: $8,545,358), experienced net cash outflows from operations of $2,187,471 (2017:$6,420,962) and at 31 December 2018 has cash and cash equivalents of $2,111,171 (2017: $2,898,596). The existence of these conditions indicates a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern.

During and since the end of the financial year, the directors have taken a number of actions to ensure the consolidated entity can continue to fund its operations including meeting with potential business partners on licencing, joint venture and partnering opportunities.

The consolidated entity may need to raise additional capital in order to execute its near term and medium term plans for development and commercialisation of its technology, in the event that sufficient revenue is not generated in the normal course of business.

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets, settlement of liabilities through the normal course of business including the presumption that sufficient funds will be available to finance the operations of the consolidated entity. In adopting this position, the directors have had regard to the consolidated entities successful track record in raising capital. The directors believe the consolidated entity has the ability to raise additional capital from existing and new investors should it be required.

The directors plan to continue the consolidated entity's operations on the basis as outlined above, and believe sufficient plans are in place to ensure the consolidated entity can meet its obligations and liabilities for at least twelve months from the date of this report.

If the consolidated entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

Note 2. Commercial arrangement

On 6 January 2016, Phosphagenics announced that it had commenced confidential arbitration proceedings against Mylan, a wholly owned subsidiary of Mylan Incorporated, by filing notices of arbitration at the Singapore International Arbitration Centre (SIAC).

Note 2. Commercial arrangement (continued)

On 12 November 2018 the Company announced that the SIAC Tribunal had determined that Phosphagenics was unsuccessful in all of its claims and that the Board must therefore take into account a significant adverse costs order. The Company had spent approximately $5.6m on arbitration and legal fees to that date.

After the determination both parties prepared submissions on costs. During that time both parties agreed to settle the arbitration and Phosphagenics also agreed to an additional agreement with Strides, the company from which Mylan originally acquired the rights to TPM®-daptomycin as part of the acquisition of Agila. It was necessary for Phosphagenics to reach a settlement with both companies.

Both Mylan and Phosphagenics mutually agreed to forego all claims including arbitration costs, and to terminate the original Master Research Agreement (MRA) and Licensing Agreement (LA) including any ongoing obligations and rights. The Settlement Agreement includes various terms, including the following:

i) Mylan has full rights and discretion to license, market and/or sell TPM®-daptomycin as it sees fit,

ii) If Mylan decides to license, market and/or sell TPM®-daptomycin pursuant to i) above, POH will be entitled to a royalty of 5% of the net sales, and b. Mylan will source TPM® exclusively from POH, subject to POH being able to supply the TPM®

iii) POH is granted a non-exclusive license to develop, license, market and/or sell TPM®-daptomycin and in consideration POH agrees to develop a TPM® supply agreement with Mylan specifically for TPM®-daptomycin and sell to Mylan TPM® for that purpose at no greater than cost +25%.

iv) If POH decides to license, market and/or sell TPM®-daptomycin, pursuant to iii) above, Mylan will receive a royalty of 5% of the net sales.

v) Specific TPM®-daptomycin related intellectual property pursuant to and previously defined in the MRA and LA shall be the exclusive property of Mylan, with POH retaining all rights and intellectual property in TPM®, and

vi) The parties will exercise best efforts to, within six (6) months to execute any agreement reflecting the above arrangements.

Strides agreed to forego all claims against Phosphagenics including arbitration costs, in consideration of a one-off cash payment of 100,000 GBP (AUD $184,877), that was accrued at 31 December 2018.
In addition Strides was granted:

i) first right of refusal to "all POH human TPM® assets existing and not otherwise encumbered" at signing of the agreement, the terms of which will be negotiated in good faith at a later time, and

ii) a discount on the upfront, milestone and/or royalty payments associated with any/all deals which Strides completed with POH to a total accumulated value of the lesser of:
i) 5 million GBP; or
ii) the costs claimed and submitted to SIAC as part of the SIAC Arbitration No. 001 of 2016 and SIAC Arbitration No. 002 of 2016.

Note 3. Operating segments

Identification of reportable operating segments
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing the performance and in determining the allocation of resources.

The operating segments are identified by management based on the Group's risks and returns that are affected predominantly by differences in the products and services provided. The reportable segments are based on aggregated operating segments determined according to the nature of the products and services provided, with each reportable segment representing a strategic business unit that offers different products and serves different markets.

Production and Personal Care
Production and Personal Care manufactures and sells TPM® and Vital ET® for the use in drug delivery and cosmetic formulations.

Note 3. Operating segments (continued)

Human Health
Phosphagenics' Human Health portfolio covers delivery of pharmaceutical products through gels, injectables and patches.

The division continues to prioritise development work on the two existing opioid patch assets: TPM®/Oxymorphone and TPM®/Oxycodone as well as continue to assess commercial opportunities for TPM® enhanced products delivered as injectables. Revenue is derived from royalty streams, licencing and contract research.

All other segments
The Animal Health and Nutrition segment did not meet materiality levels and is included in the unallocated segment.

Operating segment information

Consolidated - 2018	Production and Personal Care $	Human Health $	Unallocated $	Total $
Sales, Licences and Royalties	1,258,879	135,396	-	1,394,275
Other income	-	566,830	54,910	621,740
Interest revenue	-	-	42,273	42,273
Income from government grants	-	557,304	128,108	685,412
Depreciation and amortisation	-	-	(725,639)	(725,639)
Impairment of intangible assets	-	-	(157,000)	(157,000)
Employee and directors benefit expense	(265,957)	(744,587)	(1,553,744)	(2,564,288)
Research expenses	(20,850)	(250,515)	(82,181)	(353,546)
Other operating expenses from continuing operations	(507,152)	(175,946)	(2,251,149)	(2,934,247)
Profit/(loss) before income tax expense	464,920	88,482	(4,544,422)	(3,991,020)
Income tax expense				-
Loss after income tax expense				(3,991,020)
Assets				
Segment assets	476,252	13,677	4,311,918	4,801,847
Total assets				4,801,847
Liabilities				
Segment liabilities	-	-	902,041	902,041
Total liabilities				902,041

Note 3. Operating segments (continued)

Consolidated - 2017	Production and Personal Care $	Human Health $	Unallocated $	Total $
Sales, Licences and Royalties	231,871	918,485	-	1,150,356
Other income	-	-	74,255	74,255
Interest revenue	-	-	35,997	35,997
Income from government grants	-	672,408	335,276	1,007,684
Depreciation and amortisation	(6,183)	-	(770,285)	(776,468)
Employee and directors benefit expense	(426,700)	(816,425)	(1,914,574)	(3,157,699)
Research expenses	-	(914,416)	(276,815)	(1,191,231)
Other operating expenses from continuing operations	(141,914)	(187,960)	(5,358,378)	(5,688,252)
Loss before income tax expense	(342,926)	(327,908)	(7,874,524)	(8,545,358)
Income tax expense				-
Loss after income tax expense				(8,545,358)
Assets				
Segment assets	512,942	207,815	7,518,757	8,239,514
Total assets				8,239,514
Liabilities				
Segment liabilities	-	-	1,836,152	1,836,152
Total liabilities				1,836,152

Understanding segment results

Revenues from external customers comes from the sale of services and TPM® products on a wholesale basis as well as royalties and licences. Revenues of approximately $1,050,802 are derived from a single external customer group. These revenues are attributed to the Production and Personal Care segment.

The entity is domiciled in Australia. The amount of its revenue from external customers broken down by location of customers is shown below.

Geographical information

	Sales, Licences and Royalties		**Geographical non-current assets**	
	2018 $	**2017 $**	**2018 $**	**2017 $**
Australia	36,496	35,891	1,554,582	2,434,564
Switzerland	1,050,802	-	-	-
United States	76,562	121,230	-	2,468
India	116,024	125,872	-	-
Japan	83,151	771,145	-	-
China	29,758	96,218	-	-
Singapore	1,482	-	-	-
	1,394,275	1,150,356	1,554,582	2,437,032

The geographical non-current assets above are measured in the same way as the financial statements. These assets are allocated based on the operations of the segments and physical location of assets.

Note 3. Operating segments (continued)

Accounting policy for 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.

Note 4. Other income

	Consolidated	
	2018 $	2017 $
Net foreign exchange gain	48,246	-
Income from government grants	685,412	1,007,684
Finance revenue	42,273	35,997
Profit on sale of fixed assets	-	73,781
Termination and completion fees	566,830	-
Recoveries*	6,664	76,539
Miscellaneous income	-	474
	1,349,425	1,194,475

*The Company recognises the payments received under Deeds of Settlement or from the Bankruptcy Trustee, related to the misappropriations announced in 2014, when they are virtually certain.

Note 5. Employee and directors benefits expenses

	Consolidated	
	2018 $	2017 $
Director fees	191,180	243,195
Research and development employee expenses	680,118	1,074,904
Redundancy costs	95,590	-
ESOP expenses	47,843	133,535
Other employee expenses	1,549,557	1,706,065
	2,564,288	3,157,699

Note 6. Legal expenses

	Consolidated	
	2018 $	2017 $
Legal expenses associated with arbitrations	138,705	3,439,377
Other legal expenses	307,850	144,763
	446,555	3,584,140

Note 7. Other expenses

	Consolidated 2018 $	Consolidated 2017 $
Net foreign exchange loss	-	23,788
Travel	197,486	268,887
Doubtful debts	108,700	-
Insurance	164,851	150,543
Shareholder and listing expenses	131,972	127,790
Patent portfolio expenses	299,854	330,508
Occupancy expenses	187,860	282,855
Other	(34,005)	150,212
	1,056,718	1,334,583

Note 8. Current assets - cash and cash equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash at bank	364,499	1,469,037
Short term deposit	1,746,672	1,429,559
	2,111,171	2,898,596

Accounting policy for 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.

Note 9. Non-current assets - intangibles

	Consolidated 2018 $	Consolidated 2017 $
Intellectual property	121,362,000	121,362,000
Less: Accumulated amortisation and impairment	(119,967,000)	(119,176,000)
	1,395,000	2,186,000

Note 9. 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:

Consolidated	Intellectual property $
Balance at 1 January 2017	2,786,000
Amortisation expense	(600,000)
Balance at 31 December 2017	2,186,000
Impairment of assets	(157,000)
Amortisation expense	(634,000)
Balance at 31 December 2018	1,395,000

{b)Impairment testing

Intellectual Property

Intellectual property asset cost represents the fair value of nine patents acquired by the Company at 31 December 2004, less accumulated amortisation and adjusted for any accumulated impairment loss. Intellectual property is amortised over its useful life, being the patent life of between 15 -19 years at acquisition (to between 2020 and 2023), and tested for indicators of impairment at each reporting date. In 2010 one of the purchased patents was abandoned.

During 2018 financial year, it was assessed there the fair value associated with patents related to products containing TPM® sold by Le Metier were fully impaired and $157,000 was recognised as an impairment loss. No other triggers of impairment related to share price or other external factors relevant to other products or patents were recognised.

The fair value of the acquired patents is dependent on the continued sales of Vital ET® and the commercialisation of TPM®/Oxycodone prior to the expiry of the patents. Revenue assumptions related to this have been assessed for delays in revenue receipts, with delays of one year not materially impacting the value of the assets.

Note 10. Equity - issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	1,577,457,420	1,486,011,553	232,632,424	231,274,227

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2017	1,261,965,957		228,099,705
Issue of shares	27 October 2017	224,045,596	$0.015	3,360,685
Cost of issue		-	-	(186,163)
Balance	31 December 2017	1,486,011,553		231,274,227
Issue of shares	18 January 2018	91,445,867	$0.015	1,371,688
Cost of issue		-	-	(13,491)
Balance	31 December 2018	1,577,457,420		232,632,424

Note 10. Equity - issued capital (continued)

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.

Accounting policy for 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 11. Equity - reserves

	Consolidated	
	2018 $	2017 $
Business combination reserve	27,812,871	27,812,871
Other equity-settled benefits	305,323	305,323
Foreign currency reserve	20,527	3,980
Employee equity-settled benefits reserve	2,277,202	2,229,359
	30,415,923	30,351,533

Note 12. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2018 %**	**2017 %**
Vital Health Sciences Pty Ltd	Australia	100%	100%
Phosphagencis Inc.	USA	100%	100%
Preform Technologies Pty Ltd*	Australia	100%	100%
Adoil Pty Ltd*	Australia	100%	100%

* Non-operating subsidiaries

Note 13. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2018	2017
	$	$
Loss after income tax expense for the year	(3,991,020)	(8,545,358)
Adjustments for:		
Depreciation and amortisation	725,639	776,468
Impairment of intangibles	157,000	-
Share-based payments	47,843	133,535
Foreign exchange differences	16,781	(5,859)
Interest received	(42,273)	(33,816)
Write down of fixed assets for obsolescence	-	11,502
Profit on sale of plant and equipment	-	(73,781)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,717,701	1,212,797
Decrease/(increase) in inventories	191,793	(54,625)
(Increase)/decrease in other current assets	(141,702)	29,678
(Decrease) in trade and other payables	(666,877)	(79,322)
(Decrease)/Increase in deferred revenue	(119,463)	184,340
(Decrease)/Increase in provisions	(82,893)	23,479
Net cash used in operating activities	(2,187,471)	(6,420,962)