



14 View Street  
North Perth, Western Australia, 6006  
PO Box 317,  
North Perth, Western Australia 6906  
Telephone + 61 (08) 9328 8400  
Facsimile + 61 (08) 9328 8733  
Email [admin@grandbridge.com.au](mailto:admin@grandbridge.com.au)  
Internet [www.grandbridge.com.au](http://www.grandbridge.com.au)  
ABN 64 089 311 026

17 May 2019

ASX Limited  
10<sup>th</sup> Floor, 20 Bridge Street  
Sydney NSW 2000

**By Email: [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au)**

Attention: Isabelle Andrews

Dear Isabelle,

**GRANDBRIDGE LIMITED (“GBA”): QUERIES REGARDING ACCOUNTS**

We refer to your letter of 4 April and respond to the questions in the order asked.

1. (a) Yes  
(b) Yes
2. Cortical Dynamics Limited (“Cortical”) has raised an amount of approximately \$650,000 at a price of 10 cents per share over the last two years. Cortical is discussing with multiple parties, including European investment funds, investments of up to \$5,000,000 and has been involved in ongoing discussions with two other Chinese groups, one of whom is a medical products distributor in China and has indicated an interest for an agreement on distribution rights for China. Funding from Europe may be finalised in the next six months. An expression of interest has been made for pre-IPO investment from an Australian investment health / biotech fund. Cortical has also had ongoing discussions for a distribution agreement with a UK medical distribution company which has a significant market share in the National Health Service (“NHS”) hospital network. A trial for the NHS has now been proposed. Cortical is also significantly advanced in the approvals process for distribution clearance into Korea. Previous research released by BPH Energy Limited (“BPH”) has shown significant reduction in anaesthesia recovery time using Total Intravenous Anaesthesia (“TIVA”) with the Brain Anaesthesia Response Monitor (“BARM”). The Cortical BARM meets the three main hospital purchase requirements of: (i) Technology benefits – should be useful for clinicians, (ii) Clinical benefits – patient outcomes, and (iii) Cost effectiveness – offers savings to hospitals / health system.

3. GBA's investment in Cortical is carried in GBA's 31 December 2018 half year financial statements at \$0.10 per share, which reflects both Cortical's most recent share issue price and the intended share issue price in Cortical's proposed upcoming fundraising outlined in the answer to question 2. The ability of Cortical to repay its loan to GBA was considered in light of Cortical's proposed upcoming fundraising outlined in the answer to question 2 and the potential future earning capacity of Cortical once funded. GBA and Cortical have also entered into an agreement (dated 27 February 2019) that gives GBA the option of converting the loan into equity at a conversion price of \$0.10 per share.
4. (a) AASB 9 is effective (for GBA) for financial periods beginning on or after 1 July 2018  
(b) AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting. Financial instruments are classified as either held at amortised cost or fair value. All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. At 30 June 2018 the Cortical shares were carried at a cost of \$Nil as they were acquired via an in specie distribution. AASB 9 no longer allows investments to be accounted for at cost, they have to be at fair value. The effect of applying AASB 9 at 31 December 2018 half-year to GBA's investment in Cortical is to increase financial assets and reduce accumulated losses by \$677,820 in respect of the fair value of shares in an unlisted public company previously carried at cost.
5. Section 7.2 of AASB 9 covers transition, with paragraphs 7.2.4 -7.2.26 and 7.2.28 allowing opt outs from AASB 108 restatements. In accordance with paragraph 7.2.12, if an entity previously accounted at cost (in accordance with AASB 139), for an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument (ie a Level 1 input) (or for a derivative asset that is linked to and must be settled by delivery of such an equity instrument) it shall measure that instrument at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value shall be recognised in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application.
6. It is the auditor's determination as to whether an unqualified audit opinion will be given in future financial statements. It is further noted that by the time GBA's June 2019 annual financial statements are signed in September 2019 the outcome of Cortical's capital raising efforts will be much clearer. GBA is also planning to raise sufficient capital to help meet the requirements of ASX Listing Rules 12.1 and 12.2.

7. Yes. With respect to current assets, BPH's cash balance is sufficient to repay its loan to GBA. The Cortical receivable has been discussed under question 2 above. \$1,299,032 of GBA's current liabilities of \$1,403,444 at 31 December 2018 are not anticipated to be repaid within the next twelve months. A rights issue capital raising is also planned. GBA has also received and is considering investment proposals.
8. N/A
9. A copy of a Representation Letter setting out the terms contained in the declaration was provided to the board in the report to the board from the auditors and it was ratified by the board that the half-year financial report was prepared in accordance with: (a) the *Corporations Act 2001*, including: (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and (b) other mandatory professional reporting requirements in Australia, and confirm that the half-year financial report gives a true and fair view in accordance therewith; and is free from material misstatement, including omissions; and the financial records of the Group have been kept so as to be sufficient to enable a half-year financial report to be prepared and reviewed; and other records and registers required by the *Corporations Act 2001* have been properly kept and are up-to-date; and have designed, implemented and maintained adequate internal control to facilitate the preparation of a reliable half-year financial report; and adequate financial records have been maintained. All transactions have been recorded in the accounting records and are reflected in the half-year financial report.
10. Refer to answer 9 above.
11. Yes. The auditor's qualified conclusion (not, as you state, a qualified opinion) does not state or imply that the Company does not have a sound system of risk management and internal control that is operating effectively.
12. Yes
13. Yes

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Breeze'.

David Breeze  
Executive Director



4 April 2019

Mr David Breeze  
Company Secretary  
Grandbridge Limited  
14 View Street  
North Perth WA 6006

By email:

Dear Mr Breeze

**Grandbridge Limited ('GBA'): Queries regarding Accounts**

ASX refers to:

- A. GBA's Half Year accounts for the Half Year ended 31 December 2018 lodged with ASX Market Announcements Platform and released on 1 March 2019 ('Half Year Accounts').
- B. ASX notes that Note 9 (d) (i) Financial Assets included in the Half Year Accounts contains the following statement.

"The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated. The Company acquired a total of 6,778,200 shares in Cortical in 2007 and 2014 that were previously carried at \$Nil value. The effect of applying AASB 9 at half-year is to increase financial assets and reduce accumulated losses at 1 July 2018 by \$677,820 in respect of the fair value of shares in this unlisted public company at transition date" ("Cortical Shares").

- C. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts ('Auditor's Report') contains a qualified opinion.

**"Basis for Qualified Conclusion**

Included in the Group's non-current financial assets as at 31 December 2018 is a loan to Cortical Dynamics Limited ("Cortical") of \$340,180 and an investment in Cortical of \$677,820. Cortical is a company whose principal asset is an intangible asset in relation to the development of a Brain Anaesthesia Response Monitor. The directors of Grandbridge Limited have advised us that, in their opinion, the loan and the investment is fully recoverable based upon the value of the principal assets held by Cortical and the ability of Cortical to raise additional capital. We were unable to obtain sufficient appropriate audit evidence regarding the fair value of Cortical's assets or ability to raise additional capital, in order to form a conclusion as to the potential provision for expected credit loss against the loan and the fair value of the investment. Consequently, we are unable to determine whether a provision for expected credit loss against the loan is necessary and the fair value of the investment is correct.

**Emphasis of matter - material uncertainty related to going concern**

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**Emphasis of matter - material uncertainty related to carrying value of investment in Advent Energy Limited**

---

We also draw attention to Note 9 in the half-year financial report, which indicates a material uncertainty in relation to the consolidated entity's ability to realise the carrying value of its investment in Advent Energy Limited in the ordinary course of business. Our opinion is not modified in respect of this matter."

- D. GBA's Corporate Governance Statement for end 30 June 2018 lodged on the ASX Market Announcements Platform on 5 November 2018 which provides confirmation that GBA complies with paragraph 4 including recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

*"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."*

- E. AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors ("AASB 108") which states:

***"Applying changes in accounting policies***

19. *Subject to paragraph 23:*

- a) *an entity shall account for a change in accounting policy resulting from the initial application of an Australian Accounting Standard in accordance with the specific transitional provisions, if any, in that Australian Accounting Standard; and*
- b) *when an entity changes an accounting policy upon initial application of an Australian Accounting Standard that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.*

20. *For the purpose of this Standard, early application of an Australian Accounting Standard is not a voluntary change in accounting policy.*

21. *In the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, management may, in accordance with paragraph 12, apply an accounting policy from the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. If, following an amendment of such a pronouncement, the entity chooses to change an accounting policy, that change is accounted for and disclosed as a voluntary change in accounting policy.*

***Retrospective application***

22. *Subject to paragraph 23, when a change in accounting policy is applied retrospectively in accordance with paragraph 19(a) or (b), the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied."*

- F. Listing Rule 12.1 which states:

12.1 *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.*

- G. Listing Rule 12.2 which states:

---

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

H. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.
- (b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.
- (c) If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.
- (d) If the listing rule requires accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a foreign entity, an overseas equivalent of a registered company auditor).
- (e) If there is a directors' declaration that relates to the accounts, the directors' declaration must be given to ASX with the accounts.
- (f) If there is a directors' report that relates to the period covered by the accounts, the directors' report must be given to ASX with the accounts.

### Request for Information

In light of the information contained in the Half Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is GBA able to confirm that in the Directors' Opinion the Half Year Accounts:
  - (a) comply with the relevant Accounting Standards; and
  - (b) give a true and fair view of GBA's financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that the loan of \$340,180 and investment of \$677,820 made to Cortical Dynamics Limited ("Cortical") is fully recoverable based upon the value of the principal assets held by Cortical and the ability of Cortical to raise additional capital.
3. Given the qualified opinion relates to the Auditor's inability to obtain sufficient information to verify the carrying values of the GBA's loan to and investment in Cortical, please explain how the directors satisfied themselves that the carrying values are appropriate and adheres to the current Australian Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.

- 
4. With reference to the valuation of Cortical please explain;
    - (a) why has GBA not previously applied AASB 9 to the valuation of the Cortical Shares; and
    - (b) why has GBA elected to apply AASB 9 to the valuation of the Cortical Shares during the half-year ended 31 December 2018?
  5. With reference to AASB 108 please explain how GBA has complied with AASB 108 in electing not to restate comparative information.
  6. What steps does GBA intend to take to obtain an unqualified audit opinion with regards to its future financial statements?
  7. Does GBA consider that the financial condition of GBA is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? If the answer to question 7 is “Yes”, please also explain the basis for this conclusion.
  8. If the answer to question 7 is “No” please explain what steps GBA has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2. In your response, please address the potential impact on the financial condition of GBA if GBA is not able to meet its debts as and when they fall due. ASX notes GBA’s current working capital position, with total current assets of \$906,829 and total current liabilities of \$1,403,444.
  9. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, that in the opinion of the CFO and CEO, the financial records of GBA have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of GBA and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
  10. If the answer to Question 9 is “No” please explain;
    - (a) why did the Board not receive the CEO and CFO declaration; and,
    - (b) what enquiries did the Board make of management to satisfy itself that the financial records of GBA have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of GBA?
  11. Commenting specifically on the qualified opinion, does the board consider that GBA has a sound system of risk management and internal control which is operating effectively?
  12. Please confirm that GBA is complying with the Listing Rules and, in particular, Listing Rule 3.1.
  13. Please confirm that GBA’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of GBA with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and GBA’s response to the market. Accordingly, GBA’s response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **09:00 am AWST Thursday, 11 April 2019**.

Any response should be sent to me by return email at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent to the ASX Market Announcements Office.

---

**Enquiries**

If you have any queries regarding any of the above, please contact me.

Yours sincerely

---

**Isabelle Andrews**

Adviser, Listings Compliance (Perth)