

**Vectus Biosystems Limited**  
**ABN 54 117 526 137**

**Financial Statements**  
**For the Year Ended**  
**30th June 2013**



# **Vectus Biosystems Limited**

## **Financial Statements For the Year Ended 30th June 2013**

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### **General Information**

The financial report covers Vectus Biosystems Limited as a consolidated entity consisting of Vectus Biosystems Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Vectus Biosystems Limited functional and presentation currency

The financial report consists of financial statements, notes to the financial statements and the directors' declaration.

Vectus Biosystems Limited is a company limited by shares

The financial report was authorised for issue, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial report.

**Vectus Biosystems Limited**  
**ABN 54 117 526 137**  
**Directors' Report**  
**For the Year Ended 30 June 2013**

The Directors of Vectus Biosystems Limited present their Report together with the financial statements of the consolidated entity, being Vectus Biosystems Limited ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2013.

**Directors Details**

The name of the directors in office at any time during, or since the end of, the year is:

Maurie Stang  
Bernard Stang  
Karen Duggan  
Graham Macdonald  
Ronald Weinberger - Resigned 03/10/2012

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

**Review of Operations and financial results**

The consolidated loss of the company for the financial year amounted to \$1,237,890, (2012 Loss \$1,426,525).

A review of the company's operations during the financial year and the results of those operations are as follows:

- \* the company's operations during the financial year performed as expected in the opinion of the directors;
- \* no significant changes in the company's state of affairs occurred during the financial year;
- \* no significant change in the nature of these activities occurred during the year.

**Principal Activities**

During the financial year the principle continuing activities of the consolidate entity consisted of:

- Medical Research and Development

**Matters subsequent to the end of the financial year**

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

**Likely developments and expected results of operations**

Likely developments in the operations of the company 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 company.

**Significant changes in the state of affairs**

On 10 May 2013, The group issued 1,358,750 shares as part of its capital raising program which resulted in proceeds of \$2,717,500, each share has the same terms and conditions as the existing ordinary shares.

**Dividends**

Dividends paid or declared since the start of the financial year are as follows:

- \* there were no dividends paid during the year; and
- \* there were no dividends or distributions recommended or declared for payment to members during the year that have not been paid or credited to the member throughout the year.

**Shares under option**

Unissued ordinary shares at the Company under option at the date of this report are as follows

Year options Granted	Exercise Price	No Under Option
2009	\$0	131,517
2012	\$0	76,078
2013	\$0	135,875

The directors of the company have decided that all options will be converted into ordinary shares on 31 December 2013.

**Environmental Regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or state law

**Indemnity and insurance of officers**

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

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

**Indemnity and insurance of auditor**

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

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

No indemnities have been given or insurance premiums paid during or since the end of the financial year for any person who is or has been an officer or auditor of the company.

**Proceedings on behalf of the company**

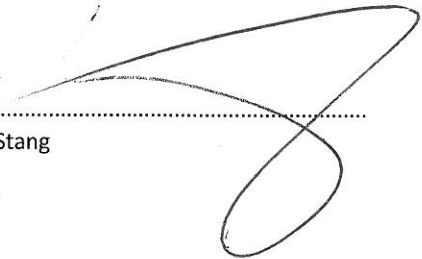
No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of the directors:



.....  
Bernard Stang

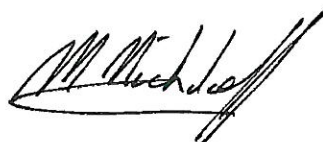
3/03/2014  
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Date

**VECTUS BIOSYSTEMS LIMITED**  
**ABN 54 117 526 137**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

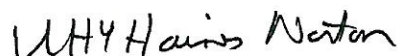
We declare that, to the best of our knowledge and belief, during the year ended 30 June 2013, there have been:

- 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.



**M. D. Nicholaeff**  
Partner

Sydney 3 March 2014



**UHY Haines Norton**  
Chartered Accountants



**Vectus Biosystems Limited**  
**ABN 54 117 526 137**  
**Statement of profit or loss and other comprehensive income**  
**For the Year Ended 30th June 2013**

		<b>Consolidated</b>		<b>Parent</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		-	-	-	-
Other Income	2	692,696	450,145	568,487	419,866
<b>Expenses</b>	3				
Employee benefits expense		(858,561)	(829,084)	(810,346)	(783,197)
Depreciation and amortisation expense		(64,993)	(76,820)	(64,787)	(76,405)
Finance costs		(11,947)	(18,471)	(11,738)	(18,212)
Other expenses from ordinary activities		(995,085)	(952,295)	(841,559)	(891,541)
Profit/(Loss) before income tax		(1,237,890)	(1,426,525)	(1,159,943)	(1,349,489)
Income tax expense		-	-	-	-
Profit/(Loss) attributable to members of the company		<u>(1,237,890)</u>	<u>(1,426,525)</u>	<u>(1,159,943)</u>	<u>(1,349,489)</u>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified subsequent to profit or loss</i>					
Gain on the revaluation of land and buildings, net of tax		-	-	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>					
Gain on the revaluation of available-for-sale financial assets		-	-	-	-
Cash Flow hedges transferred to profit or loss, net of tax		-	-	-	-
Net change in fair value of cash flow hedges taken to equity		-	-	-	-
Other comprehensive income for the year, net of tax		-	-	-	-
<b>Total Comprehensive income for the year attributable to the owners of Vectus Biosystems Limited</b>		<u>(1,237,890)</u>	<u>(1,426,525)</u>	<u>(1,159,943)</u>	<u>(1,349,489)</u>

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

**Vectus Biosystems Limited**  
**ABN 54 117 526 137**  
**Statement of Financial Position**  
**As at 30th June 2013**

	Note	Consolidated		Parent	
		2013	2012	2013	2012
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	4	1,256,617	341,144	1,173,336	338,165
Other current assets	5	17,354	54,530	54,243	50,361
<b>TOTAL CURRENT ASSETS</b>		<u>1,273,972</u>	<u>395,674</u>	<u>1,227,579</u>	<u>388,526</u>
<b>NON-CURRENT ASSETS</b>					
Financial Assets	6	-	-	320,171	218,472
Property, plant and equipment	7	217,002	277,131	217,001	276,719
<b>TOTAL NON-CURRENT ASSETS</b>		<u>217,002</u>	<u>277,131</u>	<u>537,172</u>	<u>495,191</u>
<b>TOTAL ASSETS</b>		<u>1,490,974</u>	<u>672,805</u>	<u>1,764,751</u>	<u>883,717</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	8	152,207	163,881	136,840	162,150
Other current liabilities	9	156,501	167,685	154,628	166,138
Provisions	10	107,964	91,640	106,372	91,165
Financial Liabilities	11	40,089	40,089	40,089	40,089
<b>TOTAL CURRENT LIABILITIES</b>		<u>456,761</u>	<u>463,295</u>	<u>437,929</u>	<u>459,543</u>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	10	33,035	14,578	33,035	14,578
Financial Liabilities	11	26,138	699,504	26,138	699,504
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>59,174</u>	<u>714,082</u>	<u>59,173</u>	<u>714,082</u>
<b>TOTAL LIABILITIES</b>		<u>515,935</u>	<u>1,177,378</u>	<u>497,102</u>	<u>1,173,625</u>
<b>NET ASSETS</b>		<u>975,038</u>	<u>(504,573)</u>	<u>1,267,649</u>	<u>(289,908)</u>
<b>EQUITY</b>					
Asset revaluation reserve					
Issued Capital	12	8,494,776	5,777,276	8,494,776	5,777,276
Retained Earnings/Accumulated Losses	13	(7,519,738)	(6,281,849)	(7,227,127)	(6,067,184)
<b>TOTAL EQUITY</b>		<u>975,038</u>	<u>(504,573)</u>	<u>1,267,649</u>	<u>(289,908)</u>

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

**Vectus Biosystems Limited**  
**ABN 54 117 526 137**  
**Statement of Cash Flows**  
**For the Year Ended 30th June 2013**

	Consolidated		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Receipt from Government Grants	672,171	415,812	508,671	386,365
Payments to suppliers and employees	(1,815,987)	(1,840,298)	(1,630,559)	(1,731,323)
Realised Exchange Gains	65	121	65	121
Interest Received	32,914	34,213	32,384	33,381
Interest Paid	(11,205)	(17,298)	(11,205)	(17,298)
<b>Net cash provided by operating activities</b>	<b>(1,122,042)</b>	<b>(1,407,450)</b>	<b>(1,100,644)</b>	<b>(1,328,754)</b>
<b>Cash flows from investing activities</b>				
Payments for intangible assets	-	-	-	-
Payment of property plant & equipment	(6,620)	(131,200)	(6,620)	(131,200)
Proceeds from sale of property, plant & Equipment	-	-	-	-
<b>Net cash provided by investing activities</b>	<b>(6,620)</b>	<b>(131,200)</b>	<b>(6,620)</b>	<b>(131,200)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	560,000	-	560,000
Monies Lent	-	(549)	(101,699)	(80,472)
Proceeds from issue of shares	2,717,500	430,400	2,717,500	430,400
Repayment of loans	(673,366)	(40,089)	(673,366)	(40,089)
<b>Net cash provided by financing activities</b>	<b>2,044,134</b>	<b>949,761</b>	<b>1,942,435</b>	<b>869,838</b>
Net increase (decrease) in cash held	915,473	(588,890)	835,171	(590,116)
Cash at the beginning of the financial year	341,144	930,034	338,165	928,281
<b>Cash at the end of the financial year</b>	<b>1,256,617</b>	<b>341,144</b>	<b>1,173,336</b>	<b>338,165</b>

Notes to the Statement of Cash Flows

**1. Reconciliation of Cash**

For the purpose of the statement of Cash Flows, cash includes cash on hand and in banks and investments in moneymarket instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2013	2012	2013	2012
	\$	\$	\$	\$
Cash at Bank	94,939	25,551	11,958	22,572
Cash on Hand	660	360	360	360
Term Deposit - ANZ	74,464	90,000	74,464	90,000
Term Deposit - NAB	1,086,554	225,233	1,086,554	225,233
	<b>1,256,617</b>	<b>341,144</b>	<b>1,173,336</b>	<b>338,165</b>



**Vectus Biosystems Limited**  
**ABN 54 117 526 137**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2013**

<b>Consolidated Entity</b>	Issued Capital \$	Retained Profits	Reserves	Total Equity
Balance at 1 July 2011	5,346,876	(4,855,323)	-	491,553
<b>Comprehensive Income</b>				
Profit/(loss) for the period		(1,426,525)		(1,426,525)
<b>Total Comprehensive income for the period</b>	-	(1,426,525)	-	(1,426,525)
<b>Transactions with owners</b>				
Contributions of equity	430,400	-	-	430,400
<b>Balance at 30 June 2012</b>	<u>5,777,276</u>	<u>(6,281,848)</u>	<u>-</u>	<u>(504,572)</u>
Balance at 1 July 2012	5,777,276	(6,281,848)	-	(504,572)
<b>Comprehensive Income</b>				
Profit/(loss) for the period		(1,237,890)		(1,237,890)
<b>Total Comprehensive income for the period</b>	-	(1,237,890)	-	(1,237,890)
<b>Transactions with owners</b>				
Contributions of equity	2,717,500	-	-	2,717,500
<b>Balance at 30 June 2013</b>	<u>8,494,776</u>	<u>(7,519,738)</u>	<u>-</u>	<u>975,038</u>
<b>Parent Entity</b>	Issued Capital \$	Retained Profits	Reserves	Total Equity
Balance at 1 July 2011	5,346,876	(4,717,694)	-	629,182
<b>Comprehensive Income</b>				
Profit/(loss) for the period		(1,349,489)		(1,349,489)
<b>Total Comprehensive income for the period</b>	-	(1,349,489)	-	(1,349,489)
<b>Transactions with owners</b>				
Contributions of equity	430,400	-	-	430,400
<b>Balance at 30 June 2012</b>	<u>5,777,276</u>	<u>(6,067,183)</u>	<u>-</u>	<u>(289,907)</u>
Balance at 1 July 2012	5,777,276	(6,067,183)	-	(289,907)
<b>Comprehensive Income</b>				
Profit/(loss) for the period		(1,159,943)		(1,159,943)
<b>Total Comprehensive income for the period</b>	-	(1,159,943)	-	(1,159,943)
<b>Transactions with owners</b>				
Contributions of equity	2,717,500	-	-	2,717,500
<b>Balance at 30 June 2013</b>	<u>8,494,776</u>	<u>(7,227,126)</u>	<u>-</u>	<u>1,267,650</u>

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

**Vectus Biosystems Limited**  
**ABN 54 117 526 137**  
**Notes to the Financial Statements**  
**For the Year Ended 30th June 2013**

**1. Summary of Significant Accounting Policies**

**Basis of Preparation**

Vectus Biosystems Limited has elected to early adopt the Australian Accounting Standards - Reduced Disclosure is set out in AASB: 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

**Accounting Policies**

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Vectus Biosystems Limited at the end of the reporting period. A controlled entity is any entity over which Vectus Biosystems Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all introgroup balances and transactions between entities in the Group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**(b) Property, Plant and Equipment**

Property, plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carry amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a diminishing value method over the assets useful life to the company commencing from the time the asset is held ready for use. Depreciation is recognised in the profit and loss.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant & Equipment	20% - 40%
Computer Equipment	50% - 67%
Fixtures & Fittings	10% - 20%
Office Equipment	20% - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### **(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within the short-term borrowings in current liabilities in the statement of financial position.

### **(d) Revenue and Other Income**

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All grant income is recognised when received.

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

### **(e) Trade Receivables and Other Receivables**

Trade receivables and other receivables, are recognised at the nominal transaction value without taking into account the time value of money.

If required, a provision for doubtful debts has been created.

### **(f) Trade Creditors and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### **(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

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

Cash Flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities are recoverable, or payable to, the ATO are presented as operating cash flows included in receipts from or payments to suppliers.



**(h) Employee Benefits**

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

**(i) Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

**Classification and subsequent measurement**

Financial Instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management and investment strategy.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the companies intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise of investments in equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale assets are classified as current assets.

(v) *Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at the amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised

(j) **Going Concern**

The Group has incurred an operating loss of \$1,237,890 for the year ended 30 June 2013. The operating cash burn for the year ended 30 June 2013 was \$1,122,042. The cash balance as at 31 January 2014 is \$708,528. If the current cash burn rate continues there may be an uncertainty in relation to the company's ability to continue as a going concern.

The non-executive Directors have pledged to provide financial support to the Group, in the ordinary course of business and if required, for at least the next 12 months from the date of the signed accounts to enable the company to pay its debts as and when they fall due. Moreover, the company continues material discussions with potential pharmaceutical partners and the outcome is likely to have a positive impact on the future financial position.

As a consequence of the above, the Directors are of the opinion that the Group will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the financial report.

	Consolidated		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>2. Other Income</b>				
R & D Grant	535,179	415,812	508,671	386,365
DIISR Grant - Com Australia Project	124,538	-	-	-
Interest Received	32,914	34,213	32,384	33,381
Payroll Charges Recovered	-	-	27,367	-
Realised Foreign Exchange	65	121	65	121
	<u>692,696</u>	<u>450,145</u>	<u>568,487</u>	<u>419,866</u>
<b>3. Expenses</b>				
Depreciation and Amortisation	64,993	76,820	64,787	76,405
Finance Costs	11,947	18,471	11,738	18,212
Rent Expense	288,523	283,980	288,523	283,980
Research Costs	26,250	65,210	-	58,747
Employee Benefits Expense	858,561	829,084	810,346	783,197
Patent Expenses	301,064	252,467	217,956	205,750
All Other Expenses	379,248	350,638	335,080	343,064
	<u>1,930,586</u>	<u>1,876,670</u>	<u>1,728,430</u>	<u>1,769,355</u>



**4. Cash and Cash Equivalents**

Cash on Hand	660	360	360	360
Cash at Bank	94,938	25,551	11,958	22,572
Term Deposit - ANZ	74,464	90,000	74,464	90,000
Term Deposit - NAB	1,086,554	225,233	1,086,554	225,233
	<u>1,256,616</u>	<u>341,144</u>	<u>1,173,336</u>	<u>338,165</u>

**5. Other Current Assets****Current**

Prepayments	1,506	6,390	1,110	6,390
Accrued Revenue	266	731	27,633	731
Goods and Services Tax	15,582	47,409	25,500	43,240
	<u>17,354</u>	<u>54,530</u>	<u>54,243</u>	<u>50,361</u>

**6. Financial Assets**

Loan - Accugen Pty Limited	-	-	320,171	218,472
	<u>-</u>	<u>-</u>	<u>320,171</u>	<u>218,472</u>

**7. Property, Plant and Equipment**

Plant and Equipment	562,100	569,914	562,100	568,108
Less accumulated depreciation	<u>(361,619)</u>	<u>(312,932)</u>	<u>(361,619)</u>	<u>(311,538)</u>
	200,481	256,982	200,481	256,570
 Furniture & Fittings	 14,672	 16,925	 14,672	 16,925
Less accumulated depreciation	<u>(7,519)</u>	<u>(9,610)</u>	<u>(7,519)</u>	<u>(9,610)</u>
	7,153	7,315	7,153	7,315
 Office Equipment	 49,283	 53,551	 49,283	 53,551
Less accumulated depreciation	<u>(39,916)</u>	<u>(40,717)</u>	<u>(39,916)</u>	<u>(40,717)</u>
	9,367	12,834	9,367	12,834
	<u>217,001</u>	<u>277,131</u>	<u>217,001</u>	<u>276,719</u>

**Reconciliations**

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

	Plant and Equipment	Furniture and Fittings	Office Equipment	Total
<b>Consolidated</b>				
Balance at 1 July 2012	256,982	7,315	12,834	277,131
Additions	2,092	1,418	3,110	6,620
Disposals	(734)	(288)	(735)	(1,757)
Depreciation Expense	<u>(57,859)</u>	<u>(1,292)</u>	<u>(5,842)</u>	<u>(64,993)</u>
	<u>200,481</u>	<u>7,153</u>	<u>9,367</u>	<u>217,001</u>

**8. Trade and Other Payables**

Trade Creditors	117,768	134,382	104,265	134,382
PAYG Withholding Payable	23,794	20,986	22,352	19,656
Superannuation Payable	10,645	8,513	10,223	8,112
	<u>152,207</u>	<u>163,881</u>	<u>136,840</u>	<u>162,150</u>

**9. Other Current Liabilities**

Accrued Expenses	156,501	167,685	154,628	166,138
	<u>156,501</u>	<u>167,685</u>	<u>154,628</u>	<u>166,138</u>

**10. Provisions****Current**

Provision for Annual Leave	107,964	91,641	106,372	91,166
	<u>107,964</u>	<u>91,641</u>	<u>106,372</u>	<u>91,166</u>

**Non-Current**

Provision for Long Service Leave	33,035	14,578	33,035	14,578
	<u>33,035</u>	<u>14,578</u>	<u>33,035</u>	<u>14,578</u>

**11. Financial Liabilities****Current**

Lease Liabilities	40,089	40,089	40,089	40,089
	<u>40,089</u>	<u>40,089</u>	<u>40,089</u>	<u>40,089</u>

**Non-Current**

Loan - Epitek Corporation	-	95,667	-	95,667
Loan - Sundry	-	560,000	-	560,000
Lease Liabilities	26,138	43,837	26,138	43,837
	<u>26,138</u>	<u>699,504</u>	<u>26,138</u>	<u>699,504</u>

**12. Issued Capital**

1,700,000 (2012: 1,700,000) Class A shares	17	17	17	17
15,921,984 (2012: 14,563,234) ordinary shares, fully paid	8,494,742	5,777,259	8,494,742	5,777,259
	<u>8,494,759</u>	<u>5,777,276</u>	<u>8,494,759</u>	<u>5,777,276</u>
Ordinary Share Capital at the beginning of the period	5,777,276	5,346,876	5,777,276	5,346,876
Shares Issued:				
* 1,358,750 (2012: 263,889) ordinary shares, fully paid	2,717,500	430,400	2,717,500	430,400
* Nil (2012: Nil) Class A shares	-	-	-	-
<b>Total movements in share capital</b>	<u>2,717,500</u>	<u>430,400</u>	<u>2,717,500</u>	<u>430,400</u>
<b>Share Capital at the end of the period</b>	<u>8,494,776</u>	<u>5,777,276</u>	<u>8,494,776</u>	<u>5,777,276</u>

**13. Equity - retained profits**

Retained profits/(loss) at the beginning of the financial year	(6,281,849)	(4,855,324)	(6,067,183)	(4,717,694)
Profit/(loss) after income tax expense for the year	(1,237,889)	(1,426,525)	(1,159,943)	(1,349,489)
Dividends paid	-	-	-	-
Retained profits/(loss) at the end of the financial year	<u>(7,519,738)</u>	<u>(6,281,849)</u>	<u>(7,227,126)</u>	<u>(6,067,183)</u>

**14. Related party transactions****Subsidiaries**

Vectus Biosystems Limited has a 100% interest in Accugen Pty Limited

**Receivable from and payable to related parties**

There were no receivable or payable balance at the current and previous reporting date

**Key management personnel**

Disclosures relating to key management personnel are set out in note 15

**Loans to/from related parties**

The following loan balances are outstanding at the reporting date

	<b>Parent Entity</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Loan to Accugen Pty Limited	320,171	218,472

## 15. Key management personnel

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

	Consolidated	
	2013	2012
	\$	\$
Aggregate compensation	230,955	244,567

## 16. Commitments

### *Lease commitments - finance*

Committed at the reporting date and recognised as liabilities, payable:

Within one year

One to five years

	Consolidated	
	2013	2012
	\$	\$
Within one year	24,014	24,014
One to five years	51,626	75,640
	<u>75,640</u>	<u>99,655</u>

### *Lease commitments - operating*

Committed at the reporting date but not recognised as liabilities, payable:

Within one year

One to five years

More than five years

	Consolidated	
	2013	2012
Within one year	291,931	288,523
One to five years	-	291,931
More than five years		
	<u>291,931</u>	<u>580,454</u>

The registered office of the company is:

Unit 1  
3-11 Primrose Avenue  
Rosebery NSW 2018

The principal activities of the business include:

Medical Research and Development

**Vectus Biosystems Limited**  
**ABN 54 117 526 137**  
**Directors' Declaration**  
**For the Year Ended 30th June 2013**

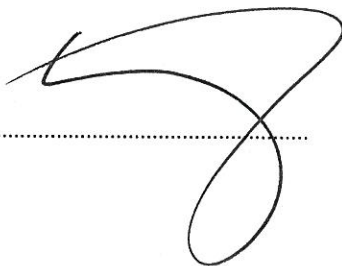
In the directors' opinion

1. the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended to that date;
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
4. at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the directors

.....  
Bernard Stang  
Director



3/03/2014



## INDEPENDENT AUDITOR'S REPORT

### To the Directors' of Vectus Biosystems Ltd

We have audited the accompanying financial report of Vectus Biosystems Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.


### **Auditor's Opinion**

In our opinion the financial report of Vectus Biosystems Pty Ltd is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, and the Corporations Regulations 2001.


### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1 (J) in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,237,890 for the year ended 30 June 2013. This condition, along with other matters as set forth in Note 1 (J), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.



**M. D. Nicholaeff**  
Partner

Sydney 3 March 2014



**UHY Haines Norton**  
Chartered Accountants