

Vectus Biosystems Limited
ABN 54 117 526 137

Financial Statements
For the Year Ended
30th June 2014

The logo for BridgePoint features the word "BridgePoint" in a blue, sans-serif font. A thin, light blue arc is positioned above the letters "i" and "d". Below the main text, the word "SOLUTIONS" is written in a smaller, lighter blue, all-caps font.

BridgePoint
SOLUTIONS

Vectus Biosystems Limited

Financial Statements For the Year Ended 30th June 2014

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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 an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office
Unit 1
3-11 Primrose Avenue
Rosebery NSW 2018

Principal place of business
Unit 1
3-11 Primrose Avenue
Rosebery NSW 2018

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 2014

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 2014.

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

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 \$1,482,108, (2013 Loss \$1,237,890).

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 28 January 2014, The group issued 619,508 shares as part of its capital raising program which resulted in proceeds of \$457,000, 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.

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.

Information on directors

Name:	Bernard Stang
Title:	Non-Executive Director & Company Secretary
Qualifications:	Bachelor of Architecture
Experience and expertise:	Mr Stang is co-founder and Chairman of the Regional Health Care Group of companies and of Novapharm Research Group. He also chairs a number of private companies in the medical sector.

Mr Stang manages a broad portfolio of investments in the private and listed sectors and has over 34 years of operational experience in the leadership of successful healthcare businesses.

Mr Stang is CEO of property development investment company Stangcorp Pty Ltd, which has been involved in various retail, commercial and industrial property transactions over the past 29 years.

Special responsibilities:	Company secretary
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Name: Maurie Stang
Title: Non-Executive Director
Qualifications:
Experience and expertise: Mr Stang has over 30 years success in building and managing high growth companies in the Technology, Information Systems, Health Care and Life Sciences arenas, both in Australasia and Internationally. Since co-founding Regional Health Care and Henry Schein Halas groups, Mr Stang has been instrumental in building on of the region's leading healthcare product distributors, spanning the medical, dental, and pharmaceutical sectors.

Mr Stang has helped forge several world leading innovations in Microbial Control across multiple industries.

Special responsibilities: None.

Name: Associate Professor Karen Duggan
Title: Medical and Scientific Director
Qualifications: MD FRACP
Experience and expertise: Associate Professor Karen Duggan was formerly, Director of the Hypertension Service, South Western Sydney Area Health Service.

She chairs the National Blood Pressure and Vascular Disease Advisory Committee and is a member of the Cardiovascular Health Advisory Committee of the National Heart Foundation of Australia, as well as a member of the Board of National Heart Foundation of Australia (NSW Division).

In addition, she was a member of Cardiovascular Clinical Expert Reference Group of the NSW Department of Health and the Post Acute Stroke Guidelines Advisory Committee of the Australian Government Department of Health and Ageing.

Her research has defined the mechanisms by which the body maintains sodium balance in the face of changing oral sodium intake as well as how these mechanisms are deranged in salt sensitive hypertension.

Her research has also defined a major mediator in the development of myocardial and renal fibrosis.

Special responsibilities: None

Name: Emeritus Professor Graham Macdonald
Title: Executive Chairman
Qualifications: MD BS BSc(Med) FRACP FRCP FANZCC
Experience and expertise: Professor Macdonald was responsible for seeking out relevant opportunities for Merck Sharp & Dohme to license scientific findings from Australian and New Zealand research institutions and biotechnology companies since 2001.

He successfully brokered a number of high profile agreements including a US\$100 million-plus deal with AMRAD (now Zenyth Therapeutics) to develop a new asthma treatment.

He has also pioneered a number of initiatives to support and build the capacity of Australian biomedical science including research scholarships, commercial training for science and medical graduates, sponsorship of conferences and representative bodies and funding research projects.

Special responsibilities: None

Company secretary

Peter Bush serves as the General Manager of Vectus Biosystems & Accugen.

Mr Bush is also the Chief Executive Officer of Aeris Environmental Ltd and an Executive Director and the Chief Financial Officer of The Regional Health Care Group and GryphonCapital.

RHCG is one of the region's leading diversified healthcare product suppliers, with successful businesses across a range of medical, pharmaceutical, consumer healthcare and research & development sectors. GryphonCapital is an independent merchant bank that facilitates the financing and development of emerging health-care related entities.

Mr Bush began his career working for five years at BDO, a global accounting and consulting firm then has since spent several years working in industry. He holds a degree in Commerce from Macquarie University and a graduate diploma in Chartered Accounting from the Institute of Chartered Accountants in Australia. Mr Bush holds a number of private directorships and board positions.

Meetings of directors

The number of meetings of the company's board of Directors ('the board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Maurie Stang	6	7
Bernard Stang	6	7
Karen Duggan	7	7
Graham Macdonald	7	7

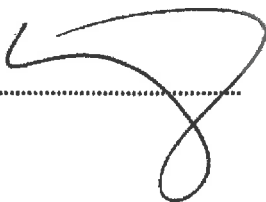
Auditor's independence declaration

UHY Haines Norton continues in office in accordance with section 327 of the Corporations Act 2001.

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; pursuant to section 298(2)(a) of Corporations Act 2001

.....
Bernard Stang



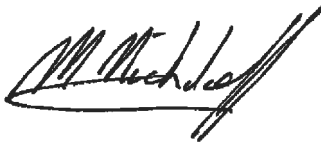
08/12/2014
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Date

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 2014, 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 8 December 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 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		\$	\$	\$	\$
Revenue		-	-	-	-
Other Income	3	872,230	692,696	855,146	568,487
Expenses	4				
Employee benefits expense		(958,546)	(858,561)	(876,975)	(810,346)
Depreciation and amortisation expense		(55,702)	(64,993)	(55,244)	(64,787)
Finance costs		(5,433)	(11,947)	(5,151)	(11,738)
Other expenses from ordinary activities		(1,334,656)	(995,085)	(1,169,034)	(841,559)
Profit/(Loss) before income tax		(1,482,108)	(1,237,890)	(1,251,258)	(1,159,943)
Income tax expense		-	-	-	-
Profit/(Loss) attributable to members of the company		(1,482,108)	(1,237,890)	(1,251,258)	(1,159,943)
Other comprehensive income					
<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		-	-	-	-
Total Comprehensive income for the year attributable to the owners of Vectus Biosystems Limited		(1,482,108)	(1,237,890)	(1,251,258)	(1,159,943)

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 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	471,758	1,257,617	468,155	1,173,336
Other current assets	6	50,830	17,354	45,620	54,243
TOTAL CURRENT ASSETS		522,588	1,274,972	513,775	1,227,579
NON-CURRENT ASSETS					
Financial Assets	7	-	-	508,629	320,171
Property, plant and equipment	8	195,392	217,002	193,872	217,002
TOTAL NON-CURRENT ASSETS		195,392	217,002	702,501	537,173
TOTAL ASSETS		717,980	1,491,974	1,216,276	1,764,752
CURRENT LIABILITIES					
Trade and other payables	9	302,428	152,207	285,155	136,840
Other current liabilities	10	108,712	156,501	103,211	154,628
Provisions	11	157,782	107,964	156,390	106,372
Financial Liabilities	12	20,822	40,089	20,822	40,089
TOTAL CURRENT LIABILITIES		589,744	456,761	565,578	437,929
NON-CURRENT LIABILITIES					
Provisions	11	46,498	33,035	46,498	33,035
Financial Liabilities	12	26,208	26,138	26,209	26,138
TOTAL NON-CURRENT LIABILITIES		72,706	59,174	72,707	59,173
TOTAL LIABILITIES		662,450	515,935	638,285	497,102
NET ASSETS		55,530	976,038	577,991	1,267,649
EQUITY					
Asset revaluation reserve					
Issued Capital	13	8,952,776	8,495,776	8,951,776	8,494,776
Application for Shares		104,600	-	104,600	-
Retained Earnings/Accumulated Losses	14	(9,001,846)	(7,519,738)	(8,478,385)	(7,227,127)
TOTAL EQUITY		55,530	976,038	577,991	1,267,649

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 2014

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash flows from operating activities				
Receipt from Government Grants	859,051	672,171	730,831	508,671
Payments to suppliers and employees	(2,172,692)	(1,815,987)	(1,776,515)	(1,630,559)
Realised Exchange Gains	-	65	-	65
Interest Received	24,835	32,914	24,036	32,384
Interest Paid	(4,616)	(11,205)	(4,616)	(11,205)
Net cash provided by operating activities	(1,293,422)	(1,122,042)	(1,026,265)	(1,100,644)
Cash flows from investing activities				
Payment of property plant & equipment	(34,842)	(6,620)	(32,863)	(6,620)
Net cash provided by investing activities	(34,842)	(6,620)	(32,863)	(6,620)
Cash flows from financing activities				
Monies Lent	-	-	(188,458)	(101,699)
Proceeds from issue of shares	561,600	2,717,500	561,600	2,717,500
Repayment of loans	(19,196)	(673,366)	(19,196)	(673,366)
Net cash provided by financing activities	542,404	2,044,134	353,946	1,942,435
Net increase (decrease) in cash held	(785,859)	915,473	(705,182)	835,171
Cash at the beginning of the financial year	1,257,617	342,144	1,173,336	338,165
Cash at the end of the financial year	471,758	1,257,617	468,154	1,173,336

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 money market 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:

	2014	2013	2014	2013
	\$	\$	\$	\$
Cash at Bank	68,403	94,939	66,100	11,958
Cash on Hand	1,660	1,660	360	360
Term Deposit - ANZ	50,900	74,464	50,900	74,464
Term Deposit - NAB	350,795	1,086,554	350,795	1,086,554
	471,758	1,257,617	468,155	1,173,336

Vectus Biosystems Limited
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Statement of Changes in Equity
For the year ended 30 June 2014

Consolidated Entity	Issued Capital \$	Retained Profits	Reserves	Total Equity
Balance at 1 July 2012	5,778,276	(6,281,848)	-	(503,572)
Comprehensive Income				
Profit/(loss) for the period		(1,237,890)		(1,237,890)
Total Comprehensive income for the period	-	(1,237,890)	-	(1,237,890)
Transactions with owners				
Contributions of equity	2,717,500	-	-	2,717,500
Balance at 30 June 2013	8,495,776	(7,519,738)	-	976,038
Balance at 1 July 2013	8,495,776	(7,519,738)	-	976,038
Comprehensive Income				
Profit/(loss) for the period		(1,482,108)		(1,482,108)
Total Comprehensive income for the period	-	(1,482,108)	-	(1,482,108)
Transactions with owners				
Contributions of equity	457,000	-	-	457,000
Application for Shares	104,600			104,600
Balance at 30 June 2014	9,057,376	(9,001,846)	-	55,530
Parent Entity	Issued Capital \$	Retained Profits	Reserves	Total Equity
Balance at 1 July 2012	5,777,276	(6,067,183)	-	(289,907)
Comprehensive income				
Profit/(loss) for the period		(1,159,943)		(1,159,943)
Total Comprehensive income for the period	-	(1,159,943)	-	(1,159,943)
Transactions with owners				
Contributions of equity	2,717,500	-	-	2,717,500
Balance at 30 June 2013	8,494,776	(7,227,126)	-	1,267,650
Balance at 1 July 2013	8,494,776	(7,227,126)	-	1,267,650
Comprehensive Income				
Profit/(loss) for the period		(1,251,258)		(1,251,258)
Total Comprehensive income for the period	-	(1,251,258)	-	(1,251,258)
Transactions with owners				
Contributions of equity	457,000	-	-	457,000
Application for Shares	104,600			104,600
Balance at 30 June 2014	9,056,376	(8,478,385)	-	577,991

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 2014

1. Summary of Significant Accounting Policies

Basis of Preparation

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

Historical cost convention

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

Critical accounting estimates

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB 1053 Application of Tiers of Australian Accounting Standards

The consolidated entity has applied AASB 1053 from 1 July 2013. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards - Reduced Disclosure Requirements. The consolidated entity being classed as Tier 2 continues to apply the full recognition and measurements requirements of Australian Accounting Standards with substantially reduced disclosure in accordance with AASB 2010-2 and later amending Standards, as relevant.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

The consolidated entity has applied AASB 2010-2 from 1 July 2013. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. The adoption of these amendments has significantly reduced the consolidated entity's disclosure requirements.

AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements, *AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* and *AASB 2012-11 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments*

The consolidated entity has applied AASB 2011-2, AASB 2012-7 and 2012-11 amendments from 1 July 2013, to the extent that they related to other standards already adopted by the consolidated entity. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations to significantly reduce the consolidated entity's disclosure requirements.

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

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 intragroup 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:

Class of Fixed Asset	Depreciation Rate
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

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(j) 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 company's 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.

(k) Issued Capital

Ordinary shares are classified as equity.

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

(l) Current and non-current classification

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

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

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

(m) Going Concern

We draw attention to the statement of profit or loss and other comprehensive income, the consolidated entity has recorded a net loss of \$1,482,108 (2013: \$1,237,890) during the financial year ended 30 June 2014. As at 30 June 2014 the company has cash in bank of \$471,758 (2013: \$1,256,617). The net cash burn in the year was \$1,293,422 (2013: \$1,122,042). The company continues material discussions with potential investors, including specialist biotech funds, investment banks and trade partners. 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.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

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

Employee benefits provision

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

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
3. Other Income				
R & D Grant	730,831	535,179	730,831	508,671
DIISR Grant - Com Australia Project	116,564	124,538	-	-
Interest Received	24,835	32,914	24,036	32,384
Payroll Charges Recovered	-	-	100,279	27,367
Realised Foreign Exchange	-	65	-	65
	<u>872,230</u>	<u>692,696</u>	<u>855,146</u>	<u>568,487</u>
4. Expenses				
Depreciation and Amortisation	55,702	64,993	55,244	64,787
Finance Costs	5,433	11,947	5,151	11,738
Rent Expense	291,931	288,523	291,931	288,523
Research Costs	288,321	26,250	240,536	-
Employee Benefits Expense	958,546	858,561	876,975	810,346
Patent Expenses	331,172	301,064	285,131	217,956
All Other Expenses	423,232	379,248	351,437	335,080
	<u>2,354,337</u>	<u>1,930,586</u>	<u>2,106,405</u>	<u>1,728,430</u>
5. Cash and Cash Equivalents				
Cash on Hand	1,660	1,660	360	360
Cash at Bank	68,403	94,938	66,100	11,958
Term Deposit - ANZ	50,900	74,464	50,900	74,464
Term Deposit - NAB	350,795	1,086,554	350,795	1,086,554
	<u>471,758</u>	<u>1,257,617</u>	<u>468,155</u>	<u>1,173,336</u>

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
6. Other Current Assets				
Current				
Prepayments	7,500	1,506	7,500	1,110
Accrued Revenue	164	266	164	27,633
Goods and Services Tax	43,166	15,582	37,956	25,500
	<u>50,830</u>	<u>17,354</u>	<u>45,620</u>	<u>54,243</u>
7. Financial Assets				
Loan - Accugen Pty Limited	-	-	508,629	320,171
	<u>-</u>	<u>-</u>	<u>508,629</u>	<u>320,171</u>
8. Property, Plant and Equipment				
Plant and Equipment	580,254	562,100	579,190	562,100
Less accumulated depreciation	(401,756)	(361,619)	(401,564)	(361,619)
	<u>178,498</u>	<u>200,481</u>	<u>177,626</u>	<u>200,481</u>
Furniture & Fittings	13,715	14,672	13,715	14,672
Less accumulated depreciation	(7,632)	(7,519)	(7,632)	(7,519)
	<u>6,083</u>	<u>7,153</u>	<u>6,083</u>	<u>7,153</u>
Office Equipment	36,254	49,283	35,339	49,283
Less accumulated depreciation	(25,443)	(39,916)	(25,176)	(39,916)
	<u>10,811</u>	<u>9,367</u>	<u>10,163</u>	<u>9,367</u>
	<u>195,392</u>	<u>217,002</u>	<u>193,872</u>	<u>217,002</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
Consolidated				
Balance at 1 July 2013	200,481	7,153	9,367	217,001
Additions	27,527	-	7,315	34,842
Disposals	(248)	-	(499)	747
Depreciation Expense	(49,262)	(1,070)	(5,372)	55,704
	<u>178,498</u>	<u>6,083</u>	<u>10,811</u>	<u>195,392</u>
	Consolidated	Parent		
	2014	2013	2014	2013
	\$	\$	\$	\$
9. Trade and Other Payables				
Trade Creditors	276,643	117,768	263,658	104,265
PAYG Withholding Payable	23,181	23,794	19,253	22,352
GST Payable	2,604	-	2,244	-
Superannuation Payable	-	10,645	-	10,223
	<u>302,428</u>	<u>152,207</u>	<u>285,155</u>	<u>136,840</u>
10. Other Current Liabilities				
Accrued Expenses	108,712	156,501	103,211	154,628
	<u>108,712</u>	<u>156,501</u>	<u>103,211</u>	<u>154,628</u>

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
11. Provisions				
Current				
Provision for Annual Leave	157,782	107,964	156,390	106,372
	<u>157,782</u>	<u>107,964</u>	<u>156,390</u>	<u>106,372</u>
Non-Current				
Provision for Long Service Leave	46,498	33,035	46,498	33,035
	<u>46,498</u>	<u>33,035</u>	<u>46,498</u>	<u>33,035</u>

12. Financial Liabilities				
Current				
Lease Liabilities	20,822	40,089	20,822	40,089
	<u>20,822</u>	<u>40,089</u>	<u>20,822</u>	<u>40,089</u>
Non-Current				
Lease Liabilities	26,208	26,138	26,209	26,138
	<u>26,208</u>	<u>26,138</u>	<u>26,209</u>	<u>26,138</u>

	2014	2013	2014	2013
	Shares	Shares	\$	\$
13. Issued Capital				
Class A Shares	1,700,000	1,700,000	17	17
Ordinary shares - fully paid	16,541,492	15,921,984	8,952,759	8,495,759
	<u>18,241,492</u>	<u>17,621,984</u>	<u>8,952,776</u>	<u>8,495,776</u>

Details	Date	No of Shares	Issue Price	\$
Balance	1 July 2012	16,263,234		5,778,276
Issue of shares	20 April 2013	1,358,750	\$2.00	2,717,500
Share issue transaction costs, net of tax		-	\$0.00	-
Balance	30 June 2013	17,621,984		8,495,776
Issue of shares on exercise of options	28 Jan 2014	391,008	\$0.00	-
Issue of shares	28 Jan 2014	228,500	\$2.00	457,000
Balance	30 June 2014	18,241,492		8,952,776

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
14. Equity - retained profits				
Retained profits/(loss) at the beginning of the financial year	(7,519,738)	(6,281,849)	(7,227,127)	(6,067,183)
Profit/(loss) after income tax expense for the year	(1,482,108)	(1,237,889)	(1,251,258)	(1,159,943)
Dividends paid	-	-	-	-
Retained profits/(loss) at the end of the financial year	<u>(9,001,846)</u>	<u>(7,519,738)</u>	<u>(8,478,385)</u>	<u>(7,227,127)</u>

15. 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:

	Parent Entity	
	2014	2013
	\$	\$
Loan to Accugen Pty Limited	508,629	320,171

16. 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	
	2014	2013
	\$	\$
Aggregate compensation	245,908	230,955

17. Commitments

Lease commitments - finance

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

	Consolidated	
	2014	2013
	\$	\$
Within one year	20,822	24,014
One to five years	26,208	51,626
	<u>47,030</u>	<u>75,640</u>

Lease commitments - operating

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

	Consolidated	
	2014	2013
Within one year	300,023	291,931
One to five years	-	-
More than five years	-	-
	<u>300,023</u>	<u>291,931</u>

18. Interest in subsidiaries

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

Name	Principal place of business/ Country of Incorporation	Ownership interest	
		2014 %	2013 %
Accugen Pty Limited	Australia	100.00%	100.00%

19. Events after the reporting period

No matter or circumstances has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Vectus Biosystems Limited
ABN 54 117 526 137
Directors' Declaration
For the Year Ended 30th June 2014

In the directors' opinion

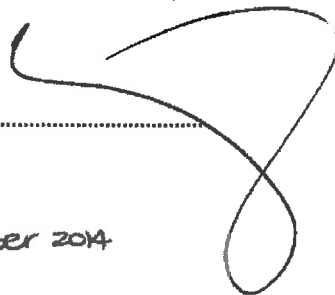
1. the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 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

Date: 8th December 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 2014, 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.

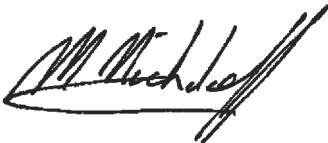
Basis for Qualified Auditor's Opinion

We draw attention to the statement of profit or loss and other comprehensive income, the company has recorded a net loss of \$1,482,108 (2013: I\$1,237,890) during the financial year ended 30 June 2014. As at 30 June 2014 the company has \$471,758 (2013: \$1,256,617) as cash in bank. The net cash burn in the year was \$1,293,422 (2013: \$1,122,042). Forecast cash flow received from company shows a negative cash position of over \$1m for the coming year. This situation indicates the existence of a material uncertainty which 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. As the financial statements are prepared on a going concern basis, the carrying value of assets and liabilities may not represent their realisable value.

Qualified Auditor's Opinion

In our opinion, except for the existence of material uncertainty as described in the Basis for Qualified Auditor's Opinion paragraph above, 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 2014 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.



M. D. Nicholaeff
Partner

Sydney 8 December 2014



UHY Haines Norton
Chartered Accountants